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24 JUNE 1982

USSR Report

ECONOMIC AFFAIRS

(FOUO 6/82)



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USSR REPORT
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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

BALANCED DEVELOPMENT OF NATIONAL ECONOMY

Moscow VOPROSY EKONOMIKI in Russian No 4, Apr 82 pp 102-112

[Article by E. Gorbunov]

[Text] The materials of the 26th CPSU Congress articulated concrete tasks regarding the dynamic and balanced development of the Soviet economy as a unified national economic complex, the proportional growth of all its branches and of the economies of the union republics, the progressive modification of the structure of the national economy, and the improvement of interbranch and intrabranh proportions. They particularly emphasize the need for balanced growth in the volume of capital construction as the nation's economy develops, for closer agreement between the increase in the productivity of social labor and the population's aggregate incomes and between the latter and the increase in the production of consumer goods and services, for balance in the development of the manufacturing and extractive branches of industry, and for closer conformity between the needs of the national economy and the work of transport, and the functioning of the complex of branches belonging to the production and social infrastructure. They advance the following demand: "To implement a comprehensive approach to planning the development of interconnected branches of the national economy and the country's economic regions. To ensure the drafting of plan targets that are balanced in all indicators. To use progressive technical and economic norms to this end."

In the light of the tasks posed by the 26th Party Congress, the investigation of the methodological basis of the balanced structure of social production per se and its realization in the national economic plan, in socialist economic management acquires great theoretical and practical importance. The degree to which these problems are elaborated in large measure determines the efficacy of measures designed to improve the economic mechanism and to promote the conversion of the nation's economy to the path of intensive development.

Balanced social production under developed socialism is a concrete manifestation of broader categories of regularity and proportionality and is determined by changes in the correlation of basic factors of production (means of production and labor power) which in turn influence the proportions of expanded reproduction.

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Intensification has a decisive influence on the dynamics of proportionality of the basic factors and proportions of reproduction. We can identify, first, the partially intensive type of reproduction in which part of the production resources are economized, capital per worker grows and there is an increase in material expenditures in the structure of the social product and in the total quantity of embodied labor whereas the output-capital ratio declines. Second, we can point to the predominantly intensive type of reproduction in which the economy of expenditures of certain production resources is coupled with additional expenditures of others but exceeds the latter. Third, there is the totally intensive type of reproduction on the scale of the entire national economy, in which the economy of the means and objects of labor is a means of economizing labor resources as well, i. e., the lowering of the capital-, materials- and labor-output ratios is achieved simultaneously*. This in turn alters the proportions of social production with regard to value--between expenditures of embodied and live labor--which promotes the relatively more rapid growth of all indicators of effectiveness of resource utilization.

The conditions of realization of the social product under the intensive type of reproduction according to the resource-saving variant are characterized by the fact that national income and society's final product increase faster than the gross social product. At the same time, the share of productive accumulation in national income stabilizes or declines and there is corresponding change in the share of the replacement fund, the growth of which requires an increase in the growth rates of implements of labor and a synchronous increase in the production of consumer goods. The share of the work force in material production stabilizes or begins to diminish and the development of social production is secured primarily through the growth of labor productivity. The structure of social production changes: the share of branches producing the final product grows and the share of the raw-materials and extractive branches diminishes accordingly. The population's consumption of consumer goods and services grows at a rapid rate and the share of the work force and output in the nonproductive sphere grows. As a result, the conditions of intensive reproduction according to the resource-saving variant simultaneously become conditions to the balanced structure of the nation's economy on the whole.

The structure of social production is manifested in various combinations of types of productive and nonproductive use values, in relationships that form a complex system of interbranch and intrabranh proportions. The degree of complexity of these relationships, their dynamicity and stability depend on the level of development of the productive forces, on the effectiveness of social production, on technical progress, etc. The entire complex of the given factors forms the requirements of socialist society, in accordance with which society's working time is distributed among various spheres of production.

*See "Voprosy intensifikatsii i sbalansirovannosti rasshirennogo vosproizvodstva v period razvitogo sotsializma" [Problems of Intensification and Proportionality of Expanded Reproduction in the Period of Developed Socialism], Izdatel'stvo "Nauka," 1981.

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This characterizes the socioeconomic aspect of the effectiveness of the actual structure of the national economy and the ability of a given socioeconomic system to make full use of society's production and labor resources as well as to realize the economic objectives that stem from its social nature. "Effectiveness," T. S. Khachaturov writes, "expresses the quality of economic management that is characteristic of a given formation and the correlation between expenditures of social labor and the return realized on them."*

The structure of social production under modern conditions is extremely complex. In industry alone, more than 12 million indicators are used to determine the volume of production in physical terms. There is a certain hierarchy of structural economic relations, of their co-ordination and sequence. The macrostructure of social production, which comprises a system of the most important national economic proportions in the process of expanded reproduction on the social scale, forms the upper level of these relations.

It is possible to identify the basic macroeconomic proportions of reproduction which determine the proportionality of the economy in general. These proportions exist (1) between the quantities of embodied and live labor (technical and organic structure of social production) applied in the production process; (2) between spheres of social production: production proper, distribution, exchange and consumption; (3) between expenditures and final national economic results, intermediate and final forms of the aggregate social product; (4) between the parts of the social product that are accumulated for the expansion of production and that are consumed by the population: the fund for productive and nonproductive consumption of the final social product, production of the means of production and consumer goods (goods and services); and (5) between the parts of the gross social product that are replaced in the process of simple reproduction and the parts that are accumulated for the needs of expanded reproduction.

The macrostructure of social production organically combines indicators of the final national economic results (realized social requirements) and expenditures made on the scale of all society in order to attain (satisfy) them. The level of expenditures and results and the proportion between them will in the future also predetermine the magnitude of society's productive and nonproductive requirements that must be satisfied.

All of society's economic requirements are internally connected to form a single system. This system is determined by the laws of social production. "Production," Marx wrote, "creates objects that correspond to requirements, distribution distributes them in accordance with social laws; exchange once again already distributes that which has already been distributed in conformity with individual requirements; finally, in consumption, the product is removed from this social movement, directly becomes the subject

*T. S. Khachaturov, "Effektivnost' kapital'nykh vlozheniy" [The Effectiveness of Capital Investments], Izdatel'stvo "Ekonomika," 1979, p 24.

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and servant of an individual requirement and satisfies it in the process of consumption."* Therefore, while the resources of social production are determined by the level of economic development and technical progress, by demographic factors, by the development of science and by the degree of its utilization in production, the level of satisfaction of the needs of production and the nonproductive requirements of society in the future will also be economically predetermined by these same factors.

Final national economic results of the current period (which are contained in the macrostructure of social production) will in future periods predetermine the levels of capital-, materials- and labor-output ratios, i. e., the necessary volume of increase in capital investments, means of production (fixed productive capital, raw materials, supplies, fuel, energy) and manpower and thereby predetermine the degree of satisfaction of society's production requirements. In the sphere of nonproductive consumption, the existing volume of production in Department II determines (with due regard to the effectiveness of utilization of production resources) the degree of satisfaction of requirements and the growth of the volume of personal and social consumption on the basis of existing norms depending on the level attained in the preceding period. It is for this very reason that proportionality of social production is also manifested in the balance of the basic factors of production (means of production and labor force) and proportions of expanded reproduction. The lowering of expenditures on the satisfaction of society's productive and nonproductive requirements leads to a higher degree of proportionality in the economy. The "Basic Directions of Economic and Social Development of the USSR in 1981-1985 and the Period Up to 1990" pose the following task: "To secure the most rational use of material, labor and financial resources as the most important condition to improving the proportionality of development of the national economy, the creation of the necessary reserves and the attainment of high final results." The decisive role here belongs to measures in the realm of economic policy especially at the level of the economy's macrostructure.

Since it possesses a certain volume of financial, material and labor resources earmarked for productive and nonproductive use, society can use them in various combinations of means of production and labor power. This on the one hand forms various levels of capital per worker, capital-intensiveness, material-intensiveness, and labor-intensiveness of production and normative nonproductive consumption and on the other hand, forms the volume of the replacement and accumulation funds and the gross social product consumption fund. Hence the need for greater centralization in national economic planning at the upper "levels" is a natural consequence of the higher maturity of socialist production in the period of developed socialism.

From this follow the special demands that are made on the planning of indicators of the gross, final and net social product. The indicators reflect both

*K. Marks and F. Engel's, "Sochineniya" [Works], Vol 12, p 715.

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the structure and the objective magnitude of society's economic requirements. The orientation of national economic planning toward the realization of the total aggregate of productive and nonproductive requirements presupposes that the calculation of the balanced structure of the economy is a kind of supporting pillar for the entire national economic plan--a pillar on which its remaining assemblies and units are built.

A balanced economy is characterized by an optimal correlation between levels of satisfaction of nonproductive requirements and the requirements of current production and accumulation. At the same time, all types of economic requirements are divided into two large groups: productive and nonproductive requirements. The satisfaction of nonproductive requirements (the population's personal consumption of means of subsistence in the form of goods and services and consumption in organs of government) is the final objective of society which is attainable given the realization of the national economy's requirement for manpower, equipment, raw materials, fuel, energy, etc.

The degree to which each material good promotes the attainment of the goal of society determines its social utility under socialism. From this point of view, the difference between consumer goods and the means of production consists solely in the fact that the former perform their given function directly while the latter perform their function indirectly. Therein also lies the difference in the useful effects of their application which must be taken into account in the process of distributing social labor between various spheres of social production.

On the basis of all the foregoing, the following schema can be proposed regarding social economic requirements in a socialist society.

Schema 1. Society's Economic Requirements Under Socialism

- I. Society's nonproductive requirements
 1. The population's personal requirements (food, clothing, housing, consumer and cultural services, etc.).
 2. The population's social requirements (health care, medical care, education, sociocultural requirements, public service requirements, etc.).
- II. Society's Current Productive Requirements
 1. The requirement for means of production and labor resources for the satisfaction of the population's personal and social requirements (the productive requirement of Department II of social production):
 - a) for current production of consumer goods and services; and
 - b) for servicing the personal consumption process.
 2. Requirement for means of production and labor resources required in order to satisfy the productive requirement of Department II (the productive requirement of Subgroup II of Department I).
 3. The productive requirement of Subgroup I of Department I (production of means of production for the production of means of production).
- III. Productive Requirements of Expanded Reproduction*
- IV. Aggregate Social Requirement for Consumer Goods, Services and Means of Production**

*For the same points as in II.

**I+II+III.

Since society's economic requirements take not only physical form, but also the form of services of a material and nonmaterial nature, there is an integral unity of social labor that satisfies the requirements of society as a whole irrespective of whether the labor is expended in the production of material goods or in the performance of material or non-services. A definite quantity of social labor required for the satisfaction of social requirements must correspond to the total aggregate of these requirements.*

Proceeding therefrom, society's final national economic results (national income) can be depicted as the total surplus product created in branches of material and nonmaterial production and the necessary product for workers in these same spheres of social production. When we consider the purpose of products relative to the satisfaction of society's productive and non-productive requirements, we can identify the following subdivisions in utilized national income: (1) the productive accumulation fund, including the growth of productive capital in the sphere of material production; (2) the nonproductive accumulation fund--the growth of nonproductive funds in the service sphere and in branches of the superstructure; and (3) the population's personal consumption fund--consumer goods and the value of services.

Proportionality of social production in accordance with the structure of society's economic requirements and the planned magnitude of final national economic results (national income) is expressed in value and physical form. In the process of satisfying society's requirements, there is full realization of the products of Department I and Department II of social production; the satisfaction of the population's personal requirements presupposes the use of the most effective means of production; the necessary reserve of production of the means of production is created in order to insure future growth of consumer goods and services sufficient to meet the population's higher requirements.

Calculation of the necessary resources and anticipated national economic results of production makes it possible to determine the possible correlation between social requirements and expended social working time and to secure rational distribution of the latter between various spheres of its application. Thereby, planning based on society's requirements influences the magnitude of socially necessary expenditures corresponding to the satisfaction of every given production need, i. e., influences the magnitude of the value of a product (resource).

*Concerning the question of the need to include the value of service branches in national income, Ya. Kvasha and V. Krasovskiy wrote: "There is no reason for embarrassment over the fact that such changes do not agree with the usual concepts. Least of all should one fear the lack of comparability of series because there is nothing more menacing to the comparability of a dynamic series of a rapidly developing economy than the preservation of branches of unchanging composition in the classification of production facilities" (see Ya. Kvasha and V. Krasovskiy, "Long-Range Planning and Economic Measurements," VOPROSY EKONOMIKI, No 4, 1968, p 72).

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Marx was the first to describe the mechanism underlying this regularity. He determined the value of a commodity on the basis of expenditures of socially necessary working time and attached great importance to ascertaining the correlation between expenditures of aggregate working time and its distribution in proportion to the volume and structure of society's requirements. Marx considered the correspondence of expenditures of social working time to the aggregate of society's requirements to be the most developed expression of the "law of value in general"* which measures the value of a commodity as part of socially necessary expenditures.

Thus the balanced structure of the economy presupposes (1) the correspondence of the distribution of individual spheres of application of social labor to the quantitatively determined requirements of society and (2) minimal expenditures of social labor per unit of satisfaction of society's requirements. These points are specifically taken into account in the determination of the final results of the functioning of the socialist economy.

The improvement of national economic planning in the direction of securing a balanced economy also presupposes the reclassification of a number of elements in the structure of social production.

The elaboration of the scientific classification of the structure of social production has major significance both in the scientific aspect and as effective instrument in the planning and substantiation of measures of structural policy, and in the management and organization of the national economy. At the present time, there is a need for in-depth research in this area, particularly in connection with processes involved in the formation of production and science-production associations, territorial production complexes, and special programs of an interbranch character.**

*K. Marks and F. Engel's, "Sochineniya" [Works], Vol 25, Part II, p 186. We note that in our view, our literature devotes unconscionably little attention to problems regarding Marx's "law of value in developed form." In A. Yezhov's words, this area is a "blank space" in the study of value and price processes. In his research, the author shows that socially necessary expenditures of labor are directly determined by social requirements and deviations of the latter from demand (and vice versa) are a factor underlying the formation of prices and their deviation from socially necessary expenditures of labor (see: A. N. Yezhov, "Factors Underlying the Formation of Socially Necessary Expenditures of Labor," IZVESTIYA AKADEMII NAUK SSSR. SERIYA EKONOMICHESKAYA, No 5, 1979, p 32).

**The classification of the national economy's branches contained in the "Guidelines on Drafting State Plans for the Development of the National Economy of the USSR" has been repeatedly subjected to justified criticism in the economic literature. No classification of branches of the national economy is contained in the latest edition of Guidelines.

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Shortcomings in the elaboration of problems in the classification of the national economy are primarily associated with their branch orientation which corresponds to the existing scheme of management of the national economy. At the same time, most global economic tasks of a structural nature in the present stage stem not so much from various problems of a purely branch nature as from interbranch problems arising at the interface of several branches, which is occasioned by the higher level of social division of labor under the influence of the scientific and technological revolution.

In calculations of the interbranch balance [input-output tables], it is necessary to single out pure branches that incorporate only the specialized products characteristic of a given branch. The practice of compiling interbranch balances indicates the increasing fragmentation of the "pure" branches. Thus, the interbranch balance for 1959 covered 83 "pure" branches of social production and 157 types of products; the balance for 1966 was compiled for 110 branches and included 237 types of products. The interbranch balance for industry in 1959 was compiled for 73 branches; in 1966--for 95 branches. The interbranch balance for 1972 was also characterized by a further increase in the number of branches

Given the increasing diversification of products, raw materials and technological processes, it is important to determine the economic criterion for establishing a unit in the classification of the structure of the national economy. This in turn will make it possible to substantiate the inclusion of production that specifically meets the given criterion in its structure.

For all the importance of the commonly accepted "three-aspect" criterion of classification of branches of the economy (uniformity in the intended use of the product, in the use of certain types of raw materials and of technological processes), the role of each of the indicated aspects (features) is not uniform. Thus the significance of the technological feature diminishes in proportion to the ever increasing diversification of technical processes in modern production. It essentially holds unconditional significance only for the group of "old" branches and for certain production facilities whose formation into an independent branch is still continuing. On the whole, however, for such branches as machine building and the chemical industry, technological homogeneity is gradually losing its significance as a classification criterion.

Obviously, with the increasing complexity of the raw material base of production, the role of the corresponding criterion in the classification of branches will also diminish. Their uniformity with regard to the intended use of the product, i. e., relevance to the satisfaction of various economic requirements of society will serve as the basic criterion to the transformation of homogeneous production facilities into a branch.

The proportion between productive and nonproductive requirements does not provide an exhaustive characterization of the complex process of their satisfaction on the whole. The products that are earmarked for productive use (the same also applies to productive services) can be used to realize

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the requirements of capital construction, to create or replace resources in the fuel-energy complex, and to satisfy nonproductive requirements. Branches form as an independent element in the system of social production against the background of the growing significance that the so-called infrastructure holds for the development of branches in the modern economy. Their economic role consists in providing productive services to branches of material production (freight transport, electricity-fuel supply, sewage, communications, etc.) and sociocultural, communal, and consumer services to the population. Thus, this group includes branches of the productive and social-service infrastructure. The former participate directly in the reproduction of the social product while the latter service the population's consumption process and are closely associated with the reproduction of labor power. As an organic element of the social reproduction process, these branches play a subordinate role with regard to branches of material production proper since their development is determined by the increase in the volume of production in industry, construction and agriculture, by the technical level of these branches, by their interbranch and intrabranh relations, etc.

The realization of a balanced economy requires certain changes in the planning of interbranch proportions of the national economy. The basic means of resolving interbranch problems is the elaboration and implementation of special comprehensive programs that can be classified as interbranch programs for the development of branches of material production and as social and territorial production programs. With the expansion of the sphere of application of program-goal methods in planning, there is increased emphasis on their relationship with the methods of purely branch-oriented planning, which promotes the elimination of shortcomings in the latter. This also depends in large measure on surmounting the mental block regarding new methods of management.

It is occasionally said that the process of "apportioning" capital investments on the basis of national economic programs rather than according to branches means "supplanting the branch by programs" thereby violating the system of production relations.* In our view, such contrasting of the program-goal method to the principles of branch planning is inappropriate. A rational national economic program must consider the interests of branches of material production participating in its implementation and of other entities--territorial organs, cities, enterprises and ministries in the nonproductive sphere, etc. Programs for conserving fuel and metal, for the development of the BAM zone, for reducing the application of manual labor, and for increasing the production of new consumer goods--programs in whose implementation tens of branches of social production participate in keeping with the decree of the CPSU Central Committee and USSR Council of Ministers on improving the economic mechanism--can serve as an example. As T. S. Khachaturov correctly observes "the application of program-goal planning does not mean that it replaces branch planning. At the same time that program-goal planning makes it possible to make full use of the production capacities that are created and permits their rational coordination, it also makes possible a significant saving in capital investments and

*See "Sotsial'no-ekonomicheskaya effektivnost' perspektivnykh vlozheniy" [The Socioeconomic Effectiveness of Long-Term Investments], Izdatel'stvo "Mysl'", 1979, pp. 60-61.

current expenditures."* Therefore, the decisive criterion in the classification of branches of social production is the functional significance of their products. This makes it possible to combine them to form large national economic complexes (see Schema 2) and to use the classification to increase the effectiveness of interbranch planning.

Schema 2. Consolidated Schema of the Functional Structure of Social Production

Spheres of social production	Branches of social production**
I. Social sphere of social production of which:	
1. Food complex (final product)	1. Agriculture, food industry, food production in other branches; subsidiary farms of enterprises; personal household plots
2. Complex for consumer goods production	2.
a) goods in everyday demand	a) production of clothing, textiles, footwear, hygiene, sanitation and toilet articles in branches of light, local and heavy industry and other branches of the national economy
b) durable goods	b) production of consumer durables, vehicles, construction materials and housing for the population in branches of industry and other branches.
3. Social and service infrastructure complex	3. Retail trade, public catering, consumer and communal services for the population; passenger transport, communications, housing, health care and physical culture, social security, environmental protection, etc.

*T. S. Khachaturov, "Effektivnost' kapital'nykh vlozheniy," p 253. The transition from the existing system of branch planning and management to the combination of the branch principle with program-goal planning given the predominance of the latter holds major significance not only for the agro-industrial but for all other types of interbranch complexes (see V. Tikhonov, "The Essence of the Agro-industrial Complex," VOPROSY EKONOMIKI, No 8, 1980, p 12).

**The list of branches is based on "Klassifikatsiya otrasley narodnogo khozyaystva" [Classification of Branches of the National Economy] and "Metodicheskiye ukazaniya k razrabotke gosudarstvennykh planov razvitiya narodnogo khozyaystva SSSR," Izdatel'stvo "Ekonomika," 1974.

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4. Nonmaterial production complex	4. Education, training, science and scientific activity, culture, art, social organizations (CPSU, Komsomol, trade unions, etc.).
II. Productive sphere of social production	
1. Agro-raw materials complex	1. Crop production, animal husbandry, production of raw materials on subsidiary farms of enterprises and personal household plots
2. Fuel-energy complex	2. Oil, gas, coal, shale, timber and other branches of the fuel industry, electric power production
3. Material-producing complex	3. Extraction of nonmetallic raw material, production of metals, materials of chemical origin, glass and ceramic materials for processing, other materials
4. Machine building complex	4. Production of metalware and metal components, machine building for branches of the national economy, electrical equipment and instrument making, repair work of a machine building character
5. Construction complex	5. General construction, installation, specialized and other organizations performing construction and installation works on a contract and direct labor basis, organizations engaged in operational drilling
6. Geological prospecting complex	6. Organizations engaged in geological surveying, hydrogeological, geological engineering, topographical-geodetic, geophysical, geological exploration and prospecting for all types of useful minerals; organizations and enterprises engaged in deep exploratory drilling for oil and gas
7. Production infrastructure complex	7. Irrigation and reclamation, protection, conservation and reproduction of animals and plants, land and forest management, freight transport, roadbuilding and transport, communications, wholesale trade, material-technical supply, procurement, etc.

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8. Foreign trade complex	8. Export and import organizations, all-union export associations of the Ministry of Foreign Trade, the State Committee for Foreign Economic Relations of the USSR Council of Ministers, and the USSR Foreign Trade Bank
9. "Science and science services," complex	9. Scientific research, design, project-planning organizations, organizations engaged in the servicing of research subdivisions, experimental plants, hydrometeorological service
10. "Finance and credit" complex	10. Finance-credit institutions belonging to the Ministry of Finance, Gosbank and Stroybank, and the USSR State Committee for Insurance
11. "Government" complex	11. State-administrative organs, cooperative organs of government, judicial, legal organs, MVD and state security organs

In accordance with the classification of social requirements, all branches of social production are divided into two spheres: the social sphere which satisfies society's nonproductive requirements and the production sphere which is the basis for satisfying the production requirements of the national economy. The classification of the social sphere of social production includes the following major interbranch complexes: food, consumer goods (including items in everyday demand and durable goods), the social and service infrastructure, and nonmaterial production. The production sphere is divided into agro-raw materials, fuel-energy, metal producing, machine building, construction, infrastructural and other interbranch complexes, each of which includes a certain number of social production branches.

The indicated complexes of branches encompass the entire system of social production of both final and intermediate products that are realized in final national economic results. For example, the material-producing and agro-raw materials complexes for the most part produce raw materials and supplies in national economic complexes that create products earmarked for final use. The separation of the first group of complexes from the second promotes research on the functional use of objects and means of labor as well as consumer goods (and services) in the process of satisfying society's need for the corresponding types of material and nonmaterial goods.

Considering the growing diversification of production and the need for corresponding organizational changes, for the in-depth theoretical investigation of the aforementioned processes in the structure of social production,

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it is expedient to single out national economic complexes that are characterized by the strictly directed use of the product. The agro-industrial or interbranch construction complex* can serve as an example of them. The branch structure of these complexes includes: branches that produce means of labor for branches of the complex; branches that produce objects of labor; branches for the performance of material services and repair work, transport, nature conservation, and supply and sales work; branches of financial-credit, managerial, and social activity; branches in the social and service infrastructure; branches producing the final product of the complex.

The branch structure of territorial production complexes is also organized according to the same scheme. Analysis of reproductive problems based on the functional classification of the structure of social production and its elaboration with due regard to modern demands have great theoretical and practical significance and combine scientific research and administrative planning activity into one.

One of the most important conditions to intensification is the realization of structural policy of the balanced proportional development of the socialist production. Its realization presupposes improvement in the economic mechanism, the elaboration and application of new methods of planning, organization, material incentive, management of the national economy and its subdivisions.

*The structure of the agro-industrial complex is investigated in the monograph "Agrarnyye problemy razvitogo sotsializma" [Agrarian Problems of Developed Socialism] (Izdatel'stvo "Naukova dumka," 1980); the structure of the interbranch construction complex is investigated in our article "The Construction Complex as a Part of the Investment Potential" (VOPROSY EKONOMIKI, No 11, 1980).

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

EFFECTIVENESS OF CONSUMPTION, INTENSIFICATION OF SOCIAL PRODUCTION

Moscow VOPROSY EKONOMIKI in Russian No 2, Feb 82 pp 14-23

[Article by V. Pavlyuchenko]

[Text] The further economic development of mature socialism, the higher degree of satisfaction of social needs, and the improved well-being of the people simultaneously presuppose both an increase in production and higher product quality and also the rationalization of consumption and the observance of strict economies at all levels of the national economy. The urgency of increasing the effectiveness of consumption and the integral relationship between this problem and the intensification of the economy were emphasized in particular at the 26th Party Congress and the November (1981) Plenum of the CPSU Central Committee.

The consumption process realizes the potential of products of labor to satisfy needs. The level and quality of their satisfaction depend on the effectiveness of this process. At the same time, consumption has a significant impact on production and expanded reproduction.

The dialectics of the interaction between production and consumption consist in the fact that the latter not only largely predetermines the realization of the objective goal of production under socialism but is also its organic element because "production," as K. Marx notes, "is indirectly also consumption." Consumption is an integral part of the reproductive process. It is involved in this process as the concluding state of the given reproductive cycle, being at the same time the starting point of the new cycle as well. By securing the continuity, the "linkage" of reproductive cycles, consumption influences both the effectiveness of current production and the formation of its future level. Therefore the raising of the effectiveness of consumption is one of the most important conditions to the intensification of the national economy.

With the growth of the scale of the economy, the role of consumption as a factor actively influencing the effectiveness of social production and its growth rates grows significantly. The increase in production naturally

*K. Marks and F. Engel's, "Sochineniya" [Works], Vol 12, p 716.

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leads to the expansion of the volume of consumption, both productive and personal. The volume of production attained under the conditions of mature socialist society creates material prerequisites for the ever more complete and consistent realization of the requirements of the basic economic law of socialism and for orienting all economic activity toward securing the improvement of the people's well-being. As L. I. Brezhnev notes, in developed socialist society "the palpable conversion of the economy to the increasingly complete satisfaction of the diverse material and cultural needs of the people has become possible. In other words, today the supreme goal of socialist production directly and indirectly becomes the center of the party's practical policy. The historical advantages of socialism as a mode of production and a way of life, and its genuinely humane essence are thereby more clearly and vividly revealed."* Between 1965 and 1980, real per capita income in our country increased 1.95 fold. There was a major increase in the general volume of personal consumption. The increase in consumption was most rapid in the case of valuable, high quality foodstuffs and manufactured goods.

The raising of the level of the people's well-being is simultaneously the main goal of socialist production and one of the most important conditions to its successful further development. The rise of the working people's living standard is accompanied by improvement in the entire complex of conditions for the reproduction of labor power, by the creation of the prerequisites for the all-round development of the individual, by the increased opportunity for the material stimulation of the working people, by the strengthening of its ties with the effectiveness and quality of work, and with the attainment of optimal final national economic results. Promoting the improvement of the main productive force of society--man the worker, i. e., by promoting the "high development of man as a producer and the all-round development of his productive abilities,"** the improvement of well-being is also one of the decisive prerequisites to the growth of the effectiveness of social production.

The development of the personal factor of production is closely linked to physical factors of production. Progress in science, the creation of new equipment and technology, and their effective utilization in the national economy are to a significant degree determined by the raising of the skill level, by the vocational-technical training of the working people, by the improvement of the quality of their labor, and by their creative activism. In other words, the physical factors of production are improved in proportion to the development of the latter. There is also a relationship between physical and personal factors. The improvement of the physical factors of production in turn makes man's labor not only

*L. I. Brezhnev, "Leninskim kursom" [The Leninist Course], Politizdat, vo. 6, p 624.

**K. Marks and F. Engel's, "Sochineniya" [Works], vol 26, part III, p 51.

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more productive but also more creative, interesting and meaningful and creates the prerequisites for the freer and more comprehensive development of the individual thereby ultimately transforming labor into the primary vital need of every person. Thus the improvement of physical and personal factors of production is mutually complementary: progress of one of them is invariably the prerequisite to the development of another.

In order to realize optimal final national economic results, i. e., the most complete satisfaction of social requirements it is important not only to create certain use values in the necessary volume and mix, it is also important to see how their useful effect is realized in the process of satisfying the need. The tie between production and the degree of satisfaction of needs is not as simple and single-valued as is often believed: the more that is produced, the better the requirements are satisfied. In reality, everything is much more complex. One and the same volume of output may satisfy a larger or smaller requirement depending on the degree of rational organization of the consumption process. If production capacities are underutilized, if the useful properties of a product are not used to the fullest, if raw materials, energy and supplies are overexpended, this essentially means that in order to satisfy needs of equal magnitude and quality, society must produce more, must expend additional labor and material resources above and beyond those that would be needed if consumption were rationally organized. It is important not only to produce the products that society needs but also to realize their useful effect in full measure.

The consumption process is associated with the expenditure of human labor and other resources. Thus, approximately 170-180 billion man-hours a year are spent on housework throughout the nation as a whole, i. e., a little less than the total amount of time spent working in the national economy. The growth of the production of passenger cars, refrigerators, television sets and other consumer goods necessitates the development of an appropriate service and maintenance network in which social labor is expended not on the production of new use values but on the creation of conditions for the utilization of existing use values, is used in the consumption sphere to secure the normal process of consumption. A similar situation also exists with regard to the consumption of the means of production. Expenditures of this type include the total aggregate of operational, repair and other costs required to keep equipment, buildings, structures, means of transport, roads, etc., in operating condition. This point was made by K. Marx who wrote of the need for expenditures of live labor in order to preserve and use "the products of past labor as use values."* Accordingly, the effectiveness of consumption reflects the degree of effective utilization of use values (or of their entire mass on the scale of the national economy) and the required expenditures of social labor. And this in turn means that economic effectiveness is characterized by two main components: the effectiveness of production proper and the effectiveness of consumption.

*K. Marx and F. Engel's, "Sochineniya" [Works], Vol 23, p 194.

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The effectiveness of consumption acquires ever greater importance with the growth of society's wealth and the volume of current consumption. This is primarily because social expenditures associated with consumption, i.e., with the utilization and preservation of the use value are very high and in a number of instances may exceed many fold the productive expenditures on its creation. Thus, according to the existing estimates, the national economy spends approximately 27.8 billion rubles a year on the capital repair of machinery and equipment. Seven million persons and one-fifth of the metal produced are involved in the manufacture of spare parts and in the maintenance and repair of machinery. As much as 40 percent of the rolled metal planned for the production of new motor vehicles is used for their repair; for the restoration of tractors--47 percent.

For this reason, aggregate expenditures of labor in the national economy directly associated with both productive and personal consumption evidently tend to rise in proportion to the growth of the scale of social consumption. The main reason for this is the slower growth rates of the productivity of labor that sustains the consumption process compared with the rate of increase in labor productivity in the sphere of material production. For example, for every percent of increase in trade turnover there is an almost 0.6 percent increase in the number of trade personnel; for every percent of increase in housing, the number of housing service personnel increases by 0.75 percent, whereas in industry for every percent of increase in the volume of production, there is only a 0.2 percent increase in the size of the work force. Therein lies one of the important reasons for the rapid expansion of the nonproductive sphere, a considerable percentage of whose labor is used to preserve use values, their rational use or to secure movement through marketing channels. Consequently, the functioning of the nonproductive sphere with regard to the direct servicing of consumption (this does not include health care, education, etc.) predetermines expenditures of labor in the final stage of production in the broad sense of the term. From this it follows that unless a certain level of development in this sphere is attained, it is impossible to secure effective social consumption; under the conditions of a large scale economy, it has more and more influence on the effectiveness of the entire national economy and intensification. Therefore the accelerated development of the nonproductive sphere should be regarded as one of the important conditions to adapting the structure of the economy to the effective consumption of a substantially higher volume of newly created material goods.

The continuous interaction of the effectiveness of production and consumption is manifested in the fact that production on the one hand exerts an active influence on expenditures of labor in the future, which society will make in the process of consumption--they depend on the technical level and the quality of the product, the volume and structure of the use values, and the degree of their preparedness for practical use. On the other hand, the consumption process can influence the effectiveness of the lowering of expenditures of economic resources in the consumption process and the most complete realization of the useful effect of the product. This is the basis of the possibility of satisfying various social needs with the lowest possible expenditures of labor.

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In this regard, it is important to consider the following: losses or the overexpenditure of resources in the consumption sphere cannot by any means always be compensated by the expansion of production. This is graphically seen in the case of a number of raw-material resources when it becomes not only economically expedient but also absolutely necessary to increase production and to reorient it toward the significant increase in the effectiveness of its utilization: the reduction of expenditure norms, in-depth refining, the creation of waste-free production, the use of secondary resources, etc. Without this, in the future it will be increasingly difficult and sometimes simply impossible to satisfy the requirement of a growing economy for many types of products.

The need to rationalize consumption is also dictated by the fact that frequently the satisfaction of growing requirements as a result of the more economical use of resources in spheres of their application is more effective than the further increase in production. Thus a 10-15 percent saving of electric power is two times more economical than the cost of producing the same quantity of additional energy. The 26th Party Congress noted: "The effect of saving every ton of oil, coal and metal becomes weightier and weightier and the damage inflicted by their irrational use becomes more and more palpable."

The importance of rationalizing consumption is graphically evidenced by the improvement in product quality: such improvement usually increases expenditures on the part of the producer, while the effect is primarily enjoyed by the user. The producer who creates, e. g., new equipment, to a considerable degree predetermines through properties "incorporated" in it (such as productivity, reliability, service life, operating costs, etc.) the "potential" aggregate effect (the total saving of live and embodied labor) that it can provide during its entire useful lifetime. But the economic effect actually realized by the user depends not only on the technico-economic level and quality of the new equipment, but also largely depends on the concrete conditions of its operation, i. e., on productive consumption. In other words, the actual "return" on the potential of the new equipment is determined in the consumption sphere. Under different conditions, the actual effect of using one and the same piece of equipment may vary significantly and may be substantially lower than the "potential" effect. What is more, the rapid increase in the complexity of equipment in the course of the scientific and technological revolution renders its effective utilization more and more difficult and therefore it is specifically in the consumption sphere that there may be serious losses of the national economic effect.

Economic practice shows that a considerable part of the potential effect of new equipment is lost owing to protracted lead time, to the unsatisfactory maintenance and repair of equipment, and to idle time. Many enterprises underutilize the capacities of metalcutting machine tools and other production facilities. In agriculture up to 10-15 percent of the average shift is spent on technical maintenance. Average losses due to tractor idle time amount to 9-12 rubles an hour, including 4-5 rubles an hour in the form of underharvesting; during the height of field operations they increase 3-4 fold.

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Open and hidden squandering of resources hinders the intensification of production. Even the relatively slight overexpenditure of these resources per unit of output, which in the past did not entail particularly serious consequences in view of the significantly smaller volume of production, can under present conditions lead to major losses in the national economy. The obvious underutilization of economic resources is manifested in the underutilization of production capacities, in the "freezing" of vast resources in incomplete construction, in shipping and storage losses, in the excessively high material-intensiveness of production, etc.*

The hidden forms of ineffective utilization of resources include, in particular, the unduly high investment-intensiveness of construction**, the underutilization of the potential for the development of specialization and cooperation, etc. Significant losses of all types of resources result from the deconcentrated nature of the repair base, the underdevelopment of interbranch production facilities, the lack of enterprises specializing in the production of tools, accessories, and standardized assemblies and parts.

The cost of producing machinery and equipment for animal husbandry and feed production is extremely high. This production involves a large number of unspecialized enterprises belonging to various ministries. Between 1976 and 1980 the losses sustained by the state from such production under the so-called "broad cooperation" program at unspecialized enterprises that produced assemblies and machine parts outside their area of specialization amounted to approximately 600 million rubles. The large number of small, obsolete, inefficient boiler rooms used to supply heat in the national economy and individual home heating plants overexpend approximately 40-50 million tons of standard fuel.

Consequently, the expanding scale of the economy is accompanied by the growing objective need to economize, to combat waste. "No matter how the wealth of our society might grow," L. I. Brezhnev emphasized at the 25th CPSU Congress, "the strictest economy and thriftiness continue to be the most important condition to the development of the national economy, to the improvement of the people's well-being." Conservation is one of the key principles of socialist economic management. Given the vast raw-material, fuel-energy and other material resources that will be drawn into production under the 11th Five-Year Plan and during the 1980's, the economical and rational use of all types of resources acquires national

*Major reserves for effecting economies can be found in virtually every branch of the national economy. Thus the losses of fuel and energy resources in the major branches of heavy industry and machine building in 1980 were estimated at 20 million tons of standard fuel, the extraction of which cost at least 450 million rubles, not counting the capital investments required for the creation of the production capacities (KOMMUNIST, No 8, 1980, p. 53).

**Thus in the course of 10 years, the cost of a livestock-place on dairy farms more than trebled; in hog fattening complexes--quadrupled. It is often the case that unduly heavy materials are used in construction and facilities are saturated with unwieldy equipment. For some livestock farms, expenditures include up to 8 m³ of concrete per cow and 400 kg of metal per calf (KOMMUNIST, No 10, 1978, p. 38).

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economic importance. It is this consideration, in particular, that underscores the urgency of more efficient consumption.

The resolution of the problem of making consumption more effective includes, in addition to the rationalization of short-term consumption (for example, the productive use of metal, raw material, fuel, electric power, etc.), significant improvement in the long-term consumption of objects that comprise the bulk, the basis of national wealth, and especially of fixed capital. More and more national wealth is amassed as the scale of social production increases. However, society's consumption of national wealth (and society "consumes" it and "wears it out" over an extended period of time) demands the replacement of the worn-out part of national wealth and its simple reproduction in its previous volume. Moreover, short-term expenditures are required to maintain the use value of its elements (e. g., expenditures on the operation of housing, structures, the infrastructure, equipment repair, etc.), the magnitude of which depends on the scale of the national wealth. The greater the national wealth, the more social labor must be spent on its "maintenance."

Aggregate expenditures of labor in social production can be divided into four functional groups: (1) expenditures on short-term consumption (labor inputs in the production of the corresponding material goods, services and their consumption); (2) the maintenance of the national wealth (expenditures associated with its simple reproduction, with the use and preservation of the use value of its elements); (3) supporting the growth of consumption and of the national wealth; and (4) expenditures that increase the effectiveness of social production, i. e., such labor inputs that alter the ratio of national economic inputs to outputs and that create the potential for the more complete satisfaction of society's requirements at a lower expenditure of economic resources (they include primarily expenditures of labor on scientific and technical progress, education and the part of capital construction that raises the technical level of production).

The effectiveness of consumption exerts a substantial influence on the distribution of expenditures of social labor among the functions enumerated above and thereby influences the process of expanded reproduction. At every specific point in time, the proportions between individual types of labor inputs are determined primarily by the existing level of production and consumption and also by the magnitude of accumulated national wealth. Short-term consumption and the functioning of the national wealth objectively predetermine the necessary expenditure of social labor which cannot be arbitrarily reduced (at any rate, without lowering the volume of production and consumption). And only after the given processes have been secured can society use the remaining resources to perform other functions: increase the effectiveness of social production, the increase in consumption and the national wealth which determine the dynamics of development of the national economy, the rate of increase of its effectiveness and of economic growth. The first-named expenditures of social labor far exceed the second. The relationship between these two types of expenditures of social labor is conditional upon and fixed by the results of economic activity. The second type of expenditures ensures the future development of the economy and changes over time.

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The growth of the national wealth and social consumption, while enhancing associated expenditures of labor and other economic resources, limits the possibility for a relative increase in their use in other spheres of activity. In other words, as the scale of the economy grows, it begins to work "for itself," for the preservation of the existing volume of consumption thereby narrowing the fields of activity whose function is to expand the economy. The resolution of this contradiction presupposes first of all the reduction of expenditures of labor and other resources associated with consumption and the planned improvement of elements of national wealth, the protection of the national wealth against the accumulation of inferior plant and equipment, and the designing of new technology and capital construction projects with regard to the need to minimize future operating costs.

Analysis of the problems in the effectiveness of consumption permits us to draw the following conclusions. First, we must strive for planned, optimal proportions that will ensure the highest national economic effectiveness in the distribution of labor between production and consumption.

We must develop a methodology for determining the given proportions both at general economic and branch levels as well as for individual types of products. Second, the growth-inhibiting tendency to increase expenditures of social labor in order to secure the consumption process must be countered by the acceleration of the rate of labor productivity in the given sphere. This rate must not be lower than the rate that is attained in production and occasionally must be even slightly higher than the latter. The realization of such a rate is a necessary condition to improving the distribution of labor resources among the types of activity that "serve" consumption.

This is also important for the balanced growth of effectiveness and especially for labor productivity in all spheres of the national economy. Lag in any of these spheres inevitably affects the overall dynamics of intensification of the economy. And if the coordinated increase in the effectiveness of production is not realized in all branches of the national economy, i. e., if there are branches in which the level of effectiveness is low and the growth rate of effectiveness is slow, then ultimately the resources that are conserved in the effectively operating branches will have to be transferred to the other branches that will use them with a lower degree of effectiveness compared with the socially necessary level and especially the level attained in the leading sectors of social production. Obviously it is specifically the marginally effective elements of the national economy that are now exerting the greatest inhibiting influence on the intensification of the economy. From this it follows that the elimination of effectiveness bottlenecks is one of the most important conditions to the conversion of the national economy to the intensive path of development. As emphasized at the November (1981) Plenum of the CPSU Central Committee, the acceleration of the curtailment of expenditures of manual labor, in which approximately 40% of the workers in industry are presently engaged, acquires special timeliness in this regard.

The reduction of expenditures of social labor in consumption and the more complete realization of the potential effect of the created use values are closely interrelated. Many measures aimed at securing the maximum utilization of use values simultaneously make provision for the lowering of labor resources (and other resources) required for consumption. The result is a kind of "feedback" effect in which one complements the other.

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The detailed program of concrete measures for increasing the effectiveness of consumption (outlined in the decree of the CPSU Central Committee and USSR Council of Ministers "On Making More Economical and Rational Use of Raw-Material, Fuel-Energy and Other Material Resources") makes provision for the planning of enterprise cost of production targets (starting in 1983) and for establishing a limit (maximum level) for them, for the development of progressive norms governing the expenditure of resources, for the greater stimulation of conservation, and for the establishment of stiff penalties for the ineffective expenditure of materials, fuel and energy. The plan for the economic and social development of the USSR in 1981-1985 establishes higher targets than the 10th Five-Year Plan regarding the reduction of the expenditure of the basic types of raw-material, fuel-energy and other material resources. Thus the national economy should conserve over 200 million tons of standard fuel in 1985 compared with 125 million tons in the last five-year plan, while the saving of rolled ferrous metals in machine building and metalworking should amount to 8.5 million tons.

The dissemination of progressive know-how and the further development of the competition for conservation and thriftiness are destined to play a major part in increasing the effectiveness of consumption. Many collectives have amassed valuable experience in reducing the material-intensiveness of production, in the introduction of low-waste and waste-free technologies, in the total utilization of raw materials, and in expanding the application of secondary resources. The working people in Moscow and Kemerovo Oblast have made a major effort toward securing the economical expenditure of raw materials, fuel and energy, while enterprises in Chelyabinsk Oblast saved hundreds of thousands of tons of metal during the last five-year plan period. We must increase the planned character of the use of the given experience. We deem it advisable to establish a procedure whereby ministries and departments will include in their plans appropriate norms based on the attainments of the leading collectives and will provide for the broad use of their work methods at other enterprises of a given branch.

The resolution of the task of increasing the effectiveness of consumption must commence from the earliest stages of development of new technology and other products. In the process of evaluating the effectiveness of future products, already in the design stage it is essential to consider not only their production costs but also future expenditures of resources associated with their use (during their entire service life). Engineering solutions and variants of capital construction must be based on minimum aggregate expenditures in production and consumption. Such an approach will result in capital construction projects and new technologies that are less "resource-intensive" and will also offer greater incentive to improve product quality, which will in turn reduce the costs of consumption. This determines the need to make the appropriate changes in the existing methods used to evaluate the economic effectiveness of new technology and capital investments.

The failure of designers of new equipment and other products and of planners of capital construction to take into account future expenditures in the consumption process hinders the correct distribution of national economic

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resources between production and consumption from the standpoint of the perspective of increased effectiveness and leads to the development of equipment that is "resource-intensive" in operation. However for many types of products the correlation of the expenditure of resources in production and consumption now (at a time when, e. g., the labor expenditures on the repair of trucks are 30-40 times higher than the labor-intensiveness of their manufacture) makes it feasible to increase their expenditure in production in order to improve the quality of the product, to reduce its "resource-intensiveness" in operation, to secure a future economy that will outweigh the given expenditure, or to shift part of this expenditure from production to the development of material conditions for increasing the effectiveness of consumption (better service, maintenance, etc.) so as to realize a significant national economic effect.

One of the main directions in increasing the effectiveness of consumption is to improve product quality. The higher the quality of new equipment, for example, the lesser will be the subsequent outlays on its operation and maintenance, and the more fully will its useful properties be realized over a longer period of time. And conversely, low quality will require subsequent additional outlays that are sometimes very high in order to restore the short-lived consumer properties of the product, will cause the product to go out of commission prematurely thereby necessitating the accelerated replacement of products of labor retired from the consumption sphere.

There is yet another aspect of the interrelationship between product quality and the effectiveness of consumption that is not sufficiently taken into account at the present time. This refers to the fact that in order to increase the degree of realization of the potential effect of new equipment and to transform it into an actual effect, it is also important to secure balance in the level of quality of the output of allied branches of the national economy and enterprises (both at any given point in time as well as over time). In many instances, the production of products that do not meet the quality requirements of the client branch will preclude the full "disclosure" of the potential inherent in new equipment and technologies. Thus, if the quality of a manufactured tool were made to conform to the technical specifications for metalworking equipment, it would be possible to increase labor productivity on existing machine tools by 25-30 percent. Consistent quality in production acquires special importance in the production of fundamentally new, highly effective types of products.

In general, a negative influence can be exerted on the effectiveness of consumption by any imbalance in the economy which results in the loss of part of the potential effect of new equipment, the actual realized effect of which is lower than possible. The shortage, e. g., of hook-on implements leads to the lowering of the effectiveness of utilization of the fleet of powerful up-to-date tractors with which our agriculture is supplied, and the lack of highly productive loading and unloading equipment result in excessive idle time of means of transport, and the disruption of the delivery schedule for raw materials, supplies and components leads to the deterioration of the utilization of production capacities and reduces

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the output-capital ration. Therefore the improvement of proportionality at all levels of the national economy and it all its elements is a general condition for increasing the effectiveness of consumption. The reference is to proportionality in the broad sense of the term. This includes not only the correspondence of production to consumption in physical volume and value terms but also their precise agreement in time and space and also in terms of the quality of output.

The intensification of the economy depends directly on the increased effectiveness of personal consumption. In order to resolve this problem, it is important first of all to formulate a system of needs, which meets the full and comprehensive development of the individual, promotes the capacity for highly productive and quality work, and eliminates the excessive absorption with "things" in consumption. There is a need for a long-range model of consumption. In our view, it should be developed within the framework of the "Twenty-Year Comprehensive Program of Scientific and Technical Progress" (and should include the avenues and stages of its realization). Second, it is important to implement a complex of economic, social, organizational and technical measures aimed at improving the quality of satisfaction of requirements, at lowering expenditures of social labor involved in "servicing" the consumption process, at saving the population's personal time, and at reducing the expenditure of labor in the home. To this end, it is important to create new labor-saving technology for the nonproductive sphere and the home, to develop new types of services, to develop collective forms of consumption, to make more efficient use of the free time of the working people who are the greatest productive force and who influence the productive power of labor*.

The rationalization of consumption, the calculating attitude toward everything that our economy disposes over has nothing in common with miserliness. Such rationalization should not be viewed as the deterioration of satisfaction of needs. To the contrary, the creation of the complex of the necessary economic conditions ensuring "resource-saving" consumption is in the present stage a necessary prerequisite to the ever more complete and better satisfaction of the continuously growing requirements of developed socialist society and its members.

Given the gigantic scale of the economy, as L. I. Brezhnev notes, at a time when the nation's economy produces two-three and even several times more of all types of products than 15-20 years ago, the effective, rational use of that which is produced is of paramount importance**. This factor now acquires decisive significance. If it were used to the fullest, even now with the present level of production, it would be possible to better satisfy the country's needs for metal, fuel, construction materials, and consumer goods.

*See K. Marx and F. Engel's, "Sochineniya" [Works], Vol 46, Part II, p.221.

**See L. I. Brezhnev, "Leninskim kursom" [The Leninist Course], Vol 7, Politizdat, p. 619.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

CONVERSION OF ECONOMY TO INTENSIVE PATH OF DEVELOPMENT

Moscow VOPROSY EKONOMIKI in Russian No 2, Feb 82 pp 3-13

[Article by L. Abalkin]

[Text] One of the basic characteristics of the reproduction process in the present stage is the changeover to consistently intensive economic growth. The conversion of the Soviet economy to the intensive path of development will be complete in the 1980's. The practical implementation of this policy entails far-reaching changes in the national economy, in the content and directions of scientific and technical progress, and in the entire reproductive structure. L. I. Brezhnev stated that the intensification of the economy--translated into practical terms--means first and foremost that the results of production grow more rapidly than inputs, that more can be produced while drawing relatively fewer resources into production.

The conversion of the economy to intensive development presupposes the substantial restructuring of the systems and methods of planned management, and the abandonment of the stereotypes that formed at a time when the quantitative approach prevailed over the qualitative. It will be necessary to make an in-depth politico-economic analysis of the essence and regularities of the intensive type of expanded socialist reproduction. The investigation of the factors that necessitate the conversion of the economy to intensive development, the study of criteria that make it possible to judge the completeness of this process, and the elaboration of an integral concept of the intensification of socialist production acquire special urgency.

Theoretical analysis and historical experience prompt the conclusion that the intensive form of expanded reproduction is intrinsically inherent in socialism and its economic system. The affirmation of public ownership of the means of production creates objective prerequisites for the rational and effective use of public resources, for orienting economic growth toward the attainment of optimal end results. The technical improvement of production, the growth of labor productivity and strict economy regimes are questions that have always occupied an important place in the party's economic policy.

However, under present conditions the intensification of production is a problem that is not simply more urgent than ever before. The problem

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today arises in a significantly new light due to the greater social orientation of economic growth and deep, essentially radical changes in the conditions of reproduction. The point is that the higher the level of maturity of the socialist economic system, the more completely is its humanistic nature revealed, and the more consistently is the development of production oriented toward the solution of problems associated with the betterment of the well-being of the people and the all-round development of the individual.

In preceding stages, socialism's intrinsically intensive form of economic development could be realized only in part. The main reason for this was not the availability of substantial reserves for extensive growth but rather the absence of thoroughly developed economic and scientific and technical potential. Until this potential was created, it was impossible to make the transition to the consistently intensive form of economic growth.

The situation changes radically with the construction of developed socialism. The creation of a highly developed production potential based on the latest advances in science and technology is a necessary and obligatory condition to the maturity of socialism.

At the present time, the USSR produces one-fifth of the world's industrial output. This was more than all countries in the world produced in 1950. As the following data show, the share of our country in the world production of many of the most important types of products increased substantially:

	World production		USSR		Share of USSR in % of world production	
	1950	1980	1950	1980	1950	1980
Electric power (billions of kw/hrs)	988	8371	91.2	1295.0	9.2	15.5
Oil (including gas condensate (millions of tons))	521	2990	37.9	603.2	7.3	20.2
Natural gas (billions of m ³)	191	1476	5.8	435.2	3.0	29.5
Steel (millions of tons)	192	715	27.3	147.0	14.2	20.7
Mineral fertilizers (computed in terms of 100% nutrient matter (in millions of tons))	15	123	1.2	24.8	8.0	20.2
Cement (millions of tons)	134	888	10.2	125.0	7.6	14.1

As the 26th CPSU Congress indicated, the Soviet Union entered the 1980's with a mighty economic and scientific-technical potential and with highly skilled cadres.

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Thus, the increased social orientation of economic growth, the creation of a highly developed potential and the need to shift the center of gravity to the more effective use of this potential are the principal factors underlying the conversion of the economy to the intensive path of development.

The growing raw materials problem and the scarcity of manpower are not a factor in the intensification of production but are only additional conditions that make the solution of the given problem more urgent. In both a theoretical and practical sense it is wrong to link the need to convert the economy to the intensive path of development entirely or predominantly to the scarcity of resources.

The scarcity of resources is of a relative and by no means absolute nature. It relates not to the scale of existing resources but rather to the potential for their further growth. Today, our country leads the world in the overall extraction of raw materials and fuel and in the production of primary materials. This also applies to such a resource of expanded reproduction as the volume of capital investment. The magnitude of capital investment in the USSR in 1980 was approximately 100 percent of the given volume in the USA even though the volume of [Soviet] national income was approximately two-thirds of the American level.

Analysis of the data shows that in the 11th Five-Year Plan, there was a reduction of growth of resources for only individual types of raw materials and fuel.

Growth of Output of the Fuel-Energy Complex in the 10th and 11th Five-Year Plans

	10th Five-Year Plan	11th Five-Year Plan
Electric power (billions of kw/hr)	256	260
Oil (including gas condensate (millions of tons)	112	27
Gas (billions of m ³)	146	195
Coal (millions of tons)	15	59

In 1981-1985, the production of finished rolled ferrous metals will increase by 15 million tons compared with 4 million tons in 1976-1980.

Even when the increment of resources is lower, there are significant unutilized resources available. Thus the deceleration of the growth of labor resources in the 1980's is relative since it limits the growth of production on an extensive basis but is accompanied by major losses of working time and is characterized by a quite significant share of manual labor. In industry, it is approximately 40 percent (among workers). It is still higher in construction and the service sphere. Under these conditions, the shortage of live labor is relative but not absolute.

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The clarification of the main factors that necessitate the intensification of production makes it possible to indicate the most important directions of practical activity. Today it is concretized in the problem of the best, fullest and most effective use of the country's economic, scientific-technical and labor potential, of everything that the national economy has at its disposal. When we speak of the essence and avenues of consistent intensification of social production, we should consider that neither economic nor social progress are possible without it under modern conditions. There are no alternatives to this course.

It is of fundamental importance to determine the criteria that can be used as the basis for judging the completeness of the conversion of the economy to the path of intensive development. The complexity and many-sidedness of the intensification process require its comprehensive characterization which takes into account various facets of the given process.

It is necessary first of all to examine the question of the correlation between extensive and intensive factors of economic growth. In economic literature and statistical practice it is a common practice to compare the share of increase in output or national income resulting from the increase in labor productivity and additional manpower. It is commonly believed that the higher the share of increase resulting from the increase in labor productivity, the more intensively does the national economy, an economic branch or a production link develop. However, for all the importance of the given correlation, it possesses a very limited potential for evaluating actual attainments in converting the economy to the intensive path of development. The reason is that given such an approach, the total diversity and complexity of the process of expanded reproduction reduce to but one albeit very important point.

Naturally, the growth of labor productivity has been and continues to be a decisive factor in increasing the effectiveness of social production and occupies a leading place among the various directions of economic intensification. The 11th Five-Year Plan indicates higher labor productivity growth targets compared with the actual indicators of the 10th Five-Year Plan.

Growth Rates of Labor Productivity Under the 10th and 11th Five-Year Plans
(in %)

	10th Five-Year Plan	11th Five-Year Plan
Industry.....	117	123
Agriculture (annual average).....	115	123
Construction.....	111	115
Rail transport.....	100.5	110.5

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The share of output that is to result from the growth of labor productivity is rising. Thus, in industry the share of the product that is to be produced as a result of higher productivity under the 11th Five-Year Plan will be nine-tenths of the total growth of this share compared with three-fourths under the 10th Five-Year Plan.

However, even if the entire increase in output is realized as a result of higher labor productivity (as is the case in agriculture, in a number of branches of industry, and in individual regions), we are still not entitled to conclude that the transition to the intensive form of economic growth is complete. However this also does not mean that the share of labor productivity in the growth of output cannot serve as the only, exhaustive criterion for evaluating the intensive or extensive form of economic growth. It is also necessary to take into account the effectiveness of utilization of all other resources.

The dynamics of the output-capital ratio, the raising of which acquires ever greater urgency at a time when the economy is being converted to the intensive path of development, should be viewed together with the analysis of labor productivity. The factors impeding the rise of the output-capital ratio are numerous: the need for the primary mechanization of labor in a number of branches and production facilities, the deterioration of raw materials extraction conditions, structural changes in social production. The low coefficient of shift operation of equipment, the rising cost of means of labor, and shortcomings in the organization of production are reflected in the dynamics of the output-capital ratio.

At the same time, there are quite powerful factors and trends toward improving the existing production potential, its technical retooling and modernization. If ably and effectively used, they can offset (or eliminate) the action of negative factors, can promote stabilization and the subsequent stable growth of the output-capital ratio. The consistent intensification of the economy presupposes the improved use of both live labor and embodied labor, particularly labor that is embodied in fixed productive capital as the most important element of national wealth. The dynamics of these indicators does not always form in the same direction. Thus while the productivity of social labor increased by 17 percent under the 10th Five-Year Plan, the output-capital ratio in material production declined by 14 percent. Given such a combination, we can speak only of the partial or incomplete intensification of the economy. The partial intensification of production takes place if there is an increase in the effectiveness of the utilization of one factor (or several but not all factors) of expanded reproduction.

The attainment of complete, all-round intensification of social production and the culmination of the conversion of the economy to the path of intensive development is integrally linked to the improved use of fixed productive capital. The solution of the problems that arise in this area is a complex matter requiring considerable time and effort. The November (1981) Plenum of the CPSU Central Committee noted that even though the 11th Five-Year Plan indicated high targets for effectiveness indicators,

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the implementation of the plan still does not eliminate the trend toward the lowering of the output-capital ratio in a number of branches of the national economy. The elimination of this trend will take the entire 1980's. However, it is very important that the new five-year plan envisages the lessening of the gap between the growth of labor productivity and capital per worker and thereby the deceleration of the rate of decline of the output-capital ratio.

Dynamics of Labor Productivity, Capital per Worker and Output-Capital Ratio in the 10th and 11th Five-Year Plans (in %)*

	10th Five-Year Plan			11th Five-Year Plan		
	Labor productivity	Capital per worker	Output-capital ratio	Labor productivity	Capital per worker	Output capital ratio
Industry.....	117	136	0.86	123	134	0.92
Agriculture.....	115	152	0.76	123	145	0.85

*The output-capital ratio is computed as the quotient resulting from the division of the index of labor productivity by the capital per worker index.

The conversion of the economy to the path of intensive development can be considered complete if high growth rates of final national economic results are accompanied by a comprehensive increase in labor productivity and the output-capital ratio, by the improved use of all other resources of expanded reproduction (capital investment, raw materials, fuel, power, etc.) This is the main, decisive criterion of completeness of the conversion of the economy to an intensive path.

Integrated indicators that form the basis for concluding the predominant significance of one or another factor are frequently used to evaluate the correlation of extensive and intensive factors of economic growth. Without going into the question of the legitimacy of integration of various factors, it should be noted that under present conditions the possibility of "compensating" the deterioration of the utilization of some factors through the more effective utilization of other factors is very limited.

The complete conversion of the economy to the intensive path of development does not mean that economic growth will be solely and exclusively the result of qualitative, intensive factors. In real life, intensive and extensive factors are always in a certain combination, complement one another, and hence it is possible to speak of the dominant significance of one or the other.

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The dominant influence of intensive factors characterizes one of the criteria of converting the economy to the path of intensive development. The determining role of the increase in labor productivity (in correlation with the increase in the size of the work force) finds expression in the fact that it accounts for up to 90-100 percent of the growth of output or national income. The absolute actual (rather than conditional and estimated) reduction in the size of the work force in many branches of material production and at existing enterprises acquires ever greater importance today.

As regards the output-capital ratio, it is necessary to halt its decline and to secure its subsequent growth which will make it possible to expand the field of operation of intensive factors of economic growth, to include in their number the supplementary and relatively independent resource of economic growth, the multiplication of the country's wealth and the enhancement of the effectiveness of social production.

The rational use of raw materials, fuel, energy and other material resources acquires a special role under present conditions. As stated at the 26th Party Congress, the increased effectiveness of their use together with the growth of labor productivity are the decisive, most effective way of multiplying the country's wealth and of rapidly increasing socialist accumulations and resources for consumption. The significance of the conservation of resources is determined by the vast scale of their production, by their large losses and by the fact that conservation is the least expensive and most effective way of multiplying the resources for expanded reproduction. Thus calculations show that the capital investments required for the conservation of fuel and energy resources are 3-4 times lower than the investments required to increase the extraction of fuel.

The scale of conservation of material resources under present conditions approximates the volume of resources that are drawn into the process of expanded reproduction as a result of the growth of their production. Such a factor in the intensification of the economy as the broad use of waste in production and consumption (metal, glass, paper, secondary energy resources, etc.) and the application of relatively or totally wastefree technologies acquires ever greater significance. The attainment of large-scale conservation and the recycling of material resources, which is the equivalent of their additional growth as a result of production are important criteria of the degree of completeness of the conversion of the economy to the path of intensive development.

The only answer to this argument is that the potential for conserving material resources is not unlimited. Indeed, it is impossible to endlessly reduce the expenditure of fuel on the production of a kilowatt-hour of electric power, the expenditure of cement on the construction of a square meter of housing, etc. These limitations exist but only if techniques and technology, the structure of production and consumption remain unchanged. The application of fundamentally new techniques and technologies, progressive changes in the structure of production, and radical improvement in product quality open up a real way to the systematic lowering of material-intensiveness both of social production as a whole and of the production of concrete use values.

The need for heightened effort to make rational use of labor, material and natural resources determines the growing role of scientific and technical progress in converting the economy to the path of intensive development. Under present conditions, scientific and technical progress and the use of more effective means of production are the decisive condition to the intensification of the economy.

At the same time, today the demands on the actual determination of more effective means of production are in large measure formed in a new way. This is connected with the fact that the criteria of effectiveness of new technology and of means of production in general do not remain stable. They are imposed on technology from without--by the general conditions of reproduction in a given stage which express these conditions through the goals and tasks of the party's economic policy.

In the present stage, the effectiveness of the means of production and the progressiveness of various technical solutions depend on the degree to which they promote the comprehensive and consistent intensification of production. In our opinion, this means that the only means of production that can be unconditionally considered as effective are those that simultaneously raise the productivity of live labor, reduce the cost of a unit of capacity, that increase productivity or other useful effect of new technology, and that lower expenditures of raw materials, fuel and power per unit of final output. To these purely economic criteria, there are added social requirements that consist in the need to improve working conditions, to reduce physically arduous and unskilled labor, etc.

Proceeding from the task of converting the economy to the path of intensive development, the 26th CPSU Congress articulated the basic directions of further development of science and the acceleration of technical progress. Under the 11th Five-Year Plan, the development of science and technology must to an even greater degree be subordinated to the solution of the economic and social problems of Soviet society, to the acceleration of the conversion of the economy to the path of intensive development, to increasing the effectiveness of social production.

Thus the consistent development and application of labor-, capital- and resource-saving techniques and technologies are in line with the tasks of economic intensification. The transition to such a type of scientific and technical progress is one of the most important criteria of the completeness of the conversion of the economy to the path of intensive development.

Naturally the given combination cannot be realized in each individual case. However it is specifically the comprehensive improvement of all components of effectiveness, including the change in technological parameters, that determines the socioeconomic demands that are presently made on scientific and technical progress. All this imposes more rigid demands on the screening of technical decisions. This point must be taken into account both in scientific and technical policy and in the management of scientific and technical progress.

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The acceleration of the turnover of material resources in the national economy is one of the most urgent problems and an important direction in the intensification of social production. It is an important and relatively independent factor in increasing the effectiveness of production which for the same resources makes it possible to obtain greater end results and thereby to intensify the process of expanded reproduction significantly.

Under the 11th Five-Year Plan, there will be a major effort to accelerate the turnover time of working capital in the national economy. The improvement of technological resources, the rationalization of inventory, the improvement of commodity and monetary circulation, and the development of the production infrastructure play an important part in the acceleration of the turnover of resources. Assessment of the actual acceleration of the turnover of resources is a necessary condition to the correct evaluation of measures implemented in the indicated spheres.

The recoupment time of capital investments occupies a leading place among the various forms of turnover time of material resources in the national economy. The significant and unjustified growth of the volume of construction in progress, the prolongation of construction time compared with the established norm, and the slow pace of development of capacities substantially slow down the recoupment time of capital investments and impede the growth of effectiveness of social production.

Today a certain amount of progress is noted in this regard. The absolute volume of incomplete construction was for the first time reduced in 1980 even though it still substantially exceeds the norm and constitutes 87 percent of the annual volume of capital investment.

Volume of Incomplete Construction (at end of year; actual value)

Year	In billions of rubles	In % of the volume of capital investments for the year
1970.....	52.5	73
1975.....	76.7	75
1979.....	106.4	91
1980.....	105.1	87

The 26th CPSU Congress posed the task of raising the volume of incomplete construction to the normative level by 1983. The realization of this complex but exceptionally important task will make it possible to bring into play additional factors in increasing the effectiveness of social production and to make substantial progress on the road to converting the economy to the intensive path of development.

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A unique feature of the 11th Five-Year Plan is that it envisages a considerable increase in the activation of fixed capital and a lesser increase in capital investment. The decision was made to reduce the volume of capital investment and construction and installation work originally envisaged for the five-year plan period. The plan for 1982 and subsequent years of the five-year plan calls for preserving the volume of capital investment primarily at the level of actual fulfillment for 1980.

State Capital Investments and the Activation of Fixed Capital Under the 11th Five-Year Plan

	Overall volume (in billions of rubles)	Increase in % of 10th Five-Year Plan
State capital investments	618.4	11.2
Activation of fixed capital financed by state capital investments	627	21

The given decisions took into account the available material and labor resources, the capacities of construction organizations and the volume of incomplete construction. As already noted, such an assessment enabled the November (1981) Plenum of the CPSU Central Committee to formulate a practicable, more balanced capital construction plan which creates the necessary conditions for normal work.

Given the high rate of scientific and technical progress and the dynamism of social requirements, the acceleration of the turnover of material resources associated with the assessment of obsolescence acquires ever greater significance. The slow rate of technical retooling of production and the unjustified use of obsolete if functional machinery and equipment result in large-scale economic losses. At the present time, there is substantial difference in the time of physical depreciation and obsolescence of fixed productive capital and the renovation of capital proceeds at a slower pace than dictated by the latest advances in science and technology. In order to bring the reserves for the intensification of the economy into play in the given area, it will be necessary to shift the center of gravity from the quantitative expansion of fixed capital to their qualitative improvement, to retooling and modernization, to bring about a significant renewal of the production potential which also dictates the necessity of reducing the duration of the cycle of incorporating the latest techniques and technologies in production.

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All this makes exceptionally high demands on the development of new products, on the reconstruction of production and on new construction. L. I. Brezhnev stated at the 26th CPSU Congress: "We cannot and should not settle for less than products that meet the best world and Soviet standards. We must accustom ourselves to this and work for it, resolutely brushing aside everything that is outdated and obsolescent, that life itself has devalued."

Thus the systematic acceleration of the turnover of material resources, which encompasses all types of resources in expanded reproduction, is an important feature in the conversion of the economy to the path of intensive development and is one of the criteria that make it possible to judge the completeness of this process.

By its nature, the acceleration of the turnover of material resources is a long-term factor and hence the given problem cannot be examined from the standpoint of "instantaneous" results. Otherwise there may be "erosion" of reserves and the latter may be underevaluated as an important factor of intensive economic growth. The creation of reserves for the operational restructuring of production (under the influence of new requirements and scientific-technical advances not considered in the plan) and the elimination of economic "bottlenecks" accelerates rather than decelerates the turnover of material resources.

The formula regarding the completion of the conversion of the economy to the path of intensive development in the 1980's must not be viewed simplistically as something static and unchanging. It presupposes the transition to a qualitatively new type of expanded socialist reproduction on a predominantly intensive basis. The criteria mentioned above make it possible to determine the degree of completeness of this transition with a sufficient measure of precision and completeness. At the same time, the intensive type of expanded reproduction is also subject to change. It is a process within the framework of which there is further improvement of the given transition. The all-round investigation of problems in the intensive type of economic growth is one of the urgent tasks of the political economy of socialism, of the entire system of economic sciences.

The active and creative elaboration of the corresponding problems must ultimately lead to the formation of the total concept of expanded socialist reproduction on an intensive basis. The reference is to the aggregate of theoretical principles, analytical elaborations and practical recommendations that form an important component part of the theory of expanded socialist reproduction and the political economy of socialism as a whole.

The methodological basis of elaborating such a concept is contained in the works of the founders of Marxism-Leninism. Of particular importance is their analysis of extensive and intensive forms of reproduction, of the role of scientific-technical progress in the modification of the structure of reproduction, of the economic aspects of the time factor and its relationship to the effectiveness of production, to the content of the law of time-saving as the "first law" of collective production, etc. Naturally, these works contain not ready prescriptions but points of departure for the study of problems advanced by life and by the practice of socialist economic construction.

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In our opinion, it is important that the total concept of expanded reproduction on an intensive basis under the conditions of developed socialism strive for the rational combination of abstract-theoretical analysis with the concrete historical approach to the given problems. Abstract analysis of reproduction processes makes it possible to elicit in-depth, most significant ties and to develop general conclusions on this basis. At the same time, it is important to bring the investigation of the general theory of reproduction to the analysis of the particulars, concrete forms and directions of intensification of production with respect to the concrete historical conditions of a given country and of a given stage in the development of the economy. Only with such a condition is it possible to ensure the wholeness of the concept of expanded reproduction on an intensive basis.

It should be emphasized that research in the indicated directions is one of the principal tasks especially of the political economy of socialism. It has the mission of studying the entire aggregate of production relations in all their wealth and diversity including both the essence (inter alia of the first, second order, etc.) of production relations proper and concrete forms of their manifestation.

The investigation of deep changes occurring in connection with intensification in the entire reproductive structure occupies one of the central places in the concept of intensive expanded reproduction. These changes affect the correlation of the two departments and their internal structure and proportions in the development of the productive and nonproductive spheres and in the distribution and utilization of national income.

The intensive form of economic growth strengthens the dynamism of the structure of social production and dictates the need for a purposeful active structural policy. There will be a significant increase in the significance of socioeconomic and scientific-technical priorities that are the basis for the relatively more rapid development of various branches, production facilities and regions and for establishing a given sequence in the realization of economic and social tasks.

The determination of priorities in the development of the economy is an exceptionally complex matter requiring deep scientific substantiation, careful consideration of objective regularities, trends and available possibilities. Particularly inadmissible here are decisions that are not reinforced by the comprehensive analysis of the entire complex of scientific-technical, economic and social conditions and possible consequences.

The intelligent establishment of priorities and their practical application complicate the attainment of proportionality of the economy and at the same time make it extremely necessary. Under the conditions of the existing unified national economic complex, the solution of any priority tasks can be successful only with the complete and effective proportionality of the national economy.

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Priorities are helpful in determining the share of resources that are allocated for various purposes, in establishing the growth rates of individual branches and production facilities. The planned structure of production is formed in this way. Priorities play a decisive role in the choice of goals and objects included in the state plan. After this selection has been made, all planned targets must be completely backed (on the basis of a system of progressive norms) by all types of resources: labor, material, capital investments, etc. This is how the active structural policy is coordinated with the proportionality of the national economy.

The elaboration of the problem of forming the modern reproductive structure, including the determination of the system of priorities, must probably occupy one of the central places in the concept of expanded socialist reproduction on an intensive basis. It is no less important to closely coordinate the given problems with the elaboration of ways and directions of further improvement of the economic mechanism. This is because only on the basis of the corresponding restructuring of the economic mechanism is it possible to make effective use of available resources, to accelerate scientific-technical progress and to convert the economy to the path of intensive development in general.

The consistent intensification of social production is impossible without the elimination of the obstacles that frequently arise on this path. The reference is first and foremost to the need to combat inertia, tradition and habits that have formed in the style of economic activity and economic thinking of cadres in preceding stages of development.

It is also necessary to draw the necessary practical conclusions from the indisputable fact that today, in the 1980's, economic and social progress cannot be evaluated using old methods--the same methods that produced rather good results in the relatively recent past. The failure to understand this fact, the attempt to work in the old way under the new conditions, and exclusive reliance on past experience are the nutrient medium for inertia in management and economic thought.

Economic science in general and political economy in particular must play an important part in overcoming the burden of inertia. It must raise the level of research of current problems to a qualitatively new level and bring its conclusions into line with the demand that the economy be converted to the path of intensive development. There is much that must be reappraised in this area. Much more attention must be devoted to the quality of economic growth, to the evaluation of the final national economic results. We must make a creative approach to the analysis of the reproductive structure and its dynamics.

The consistent and purposeful work on the implementation of the party policy aimed at the intensification of production and at increasing its effectiveness will permit the more complete use of the very rich potential and advantages of the economy of developed socialism. This will promote the successful realization of social tasks and the strengthening of socialist positions in the international arena.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

IMPROVING ECONOMIC MANAGEMENT TECHNIQUES

Moscow VOPROSY EKONOMIKI in Russian No 2, Feb 82 pp 109-119

[Article by V. Ivanchenko]

[Text] The long-range economic policy developed by the 24th, 25th and 26th Congresses of the CPSU contemplates the consistent improvement of the economic mechanism. Here the party proceeds from the Leninist principles of economic construction, the need for the creative application in accordance with the changing level of development of the productive forces and the country's production relations.

The economics of developed socialism is characterized by the rising role of scientific and technical progress and the broad utilization of advances of science and technology not only in production technique but also in the system of economic management with the aim of actively influencing the intensification of production, increasing its effectiveness and the betterment of the working people's well-being. In the substantiation of the economic and social targets of the 11th Five-Year Plan, primary attention is devoted to the conversion of the economy to the intensive path of development, to the rational use of the country's vast production potential, to the all-round conservation of resources and to the improvement of the quality of the work.

Proceeding primarily from the task of intensification, the 26th CPSU Congress advanced the demand that the economy be economical. L. I. Brezhnev's report emphasized: "Economic methods and management policy must also work for effectiveness." The distinguishing feature of the new five-year plan is the higher effectiveness and intensification of the national economy. At the November (1981) Plenum of the CPSU Central Committee, L. I. Brezhnev noted that given the 10 percent general increase in the overall volume of capital investments, the draft plan envisaged an 18 percent increase in national income. This correlation of these indicators characterizes a sharp turn toward the heightened effectiveness of capital investments and the strengthening of intensive economic growth factors. At the same time, it was noted at the Plenum that the draft of the five-year plan bore the stamp of objective and subjective factors in the present stage of development of the national economy including the fact that "the style of economic activity and economic thought, planning methods and the system of management are not being restructured with the requisite degree of vigor." Accordingly, the task: "while working on the fulfillment of the five-year plan, we must at the same time improve the economic mechanism and the economic management system."

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The "Basic Directions of Economic and Social Development of the USSR in 1981-1985 and the Period Up to 1990" contain a special section which envisages a system of measures to improve management, to raise the level of management at all levels of the economy irrespective of the fact that each section formulates demands and paths of attaining higher end results in the work.

A characteristic feature of this section is that it in a manner of speaking unifies all sections and targets of the five-year plan and is its organizational part which has the mission of mobilizing all potential and resources and the creative initiative of every working person for the successful implementation of party decisions in the economic and social development of the country. It should be noted that the given section encompasses measures that are of a comprehensive nature: the further elevation of the role of planning as the central element in the management of the national economy; the strengthening of the economy regime and of cost accounting; the improvement of the style and methods of managing the economy on the basis of the Leninist principles of management; the improvement of the organizational structure of management on the basis of Leninist principles; improvement of the organizational structure of management; development of the initiative and creative activism of the working people in the management of production; and the improvement of the forms and methods of socialist competition. The reference is to the purposeful formation of a modern, highly effective system of economic management which in its content and purpose is adequate to the functioning of the unified national economic complex.

Measures for improving management and management methods like all production targets of the plan are addressed to party, state and economic organs, to public organizations, to each labor collective, and to each Soviet person. The 26th CPSU Congress emphasized: "The fulfillment of targets of the 11th Five-Year Plan requires improvement of organizational and political work...The raising of the level of management and the inculcation of cadres with a businesslike attitude, a feeling of responsibility and initiative are a necessary condition to the attainment of production successes.

In the course of implementing the decisions of the 25th CPSU Congress there were major experiments in industry, in construction, in transport, in agriculture, and in trade and a system of measures were devised to improve the economic mechanism and to strengthen its influence on increasing the effectiveness of production and improving the quality of the work. The 11th Five-Year Plan envisages the consistent improvement of the management of the national economy on the basis of the introduction of already elaborated measures to improve the economic mechanism and to perfect new normative approaches to the substantiation and adoption of optimal planning decisions.

The section on improving management is elaborated as a component part of the plan for the economic and social development of the country. At the ministry, association and enterprise level it articulates concrete periods of comprehensive implementation of the given decisions, of realization of new normative principles, of improving organizational structures of management, of creation of new and development of existing associations and the use of computers in management plus other measures aimed at increasing the effectiveness of production and the quality of the work. Unfortunately at the macrolevel indicators in this section are established only on the basis of the general effectiveness of measures and the training of cadres.

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Certain conclusions can be drawn from the foregoing. First, there is actual realization of the principle that the improvement of the economic mechanism is not a one-time measure but is a scientifically substantiated process and means the search for new, more sophisticated forms and methods of planning and management. However, the process of mastering the new is protracted over a period of many years.

Second, the realization of the new requires not only the rapid and systematic change of methodological, normative and legal documentation which encompasses the entire process of planned economic management and also the precise, planned organization of practical work to master the new and to secure the psychological restructuring of the cadres and the understanding of the inevitability of socioeconomic processes. Experience has shown that the organization of the introduction of the new lags behind its reflection in norms and methods.

Third, the slow mastery of the new in the economic mechanism leads to the parallel functioning of the replaced forms and methods of management, which has a negative impact on effectiveness and the return on the implemented measures. Therefore, under the 11th Five-Year Plan, it is important to implement the given measures comprehensively and in the shortest possible period of time. This point was noted at the November (1981) Plenum of the CPSU Central Committee. However, some ministries and enterprises fail to take prompt action to implement key management-improvement measures and are slow in mastering new indicators and principles regarding the improvement of the economic mechanism.

In the planned management system, the mastery of the new begins with planning. A decisive role in this work belongs to the planning organs and to USSR Gosplan. Socialist economic planning is not only a research and forecasting method but is also an actual method used to control socioeconomic processes on the basis of mandatory plans. Management is based on the comprehensively substantiated scientific methodology, organization and technique of compiling and implementing plans.

Taking into account decisions made by directive organs, in recent years USSR Gosplan has stepped up its attention to the improvement of the methodology and methods of planning, to the development of the balance method, and to the elaboration of a system of programs. This work is conducted with due regard to the new requirements and the task of converting the economy to the intensive path of development.

The complex, interbranch dynamic economy of developed socialism makes higher demands on the strengthening of the role of centralized planning, on the quality of state plans for the development of the national economy and sociocultural construction, on improving the coordination of the branch, territorial and program sections of the plan, and on the development of the economic independence and initiative of enterprises, associations and organizations in the attainment of plan objectives. Cost accounting, economic levers and stimuli are an integral part of the unified economic mechanism. The system of cost accounting relations and stimuli are now addressed not only to enterprises but primarily to production associations and is gradually

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attaining the level of a subbranch (VPO) or branch (ministry) as a whole. In this process an important place is assigned to the increased social division of labor, to the development of the specialization of production and to cooperation based on the planned creation of the optimal structures of production, science-production and industrial associations. Such associations make radical changes in the improvement of planning, in the technical retooling and specialization of production, in the establishment of direct economic ties with suppliers and customers, in the development of cost accounting relations within the limits of the targets of the five-year plan. They offer a new solution to the entire complex of tasks in the social development of collectives and expand the participation of workers in the management of production.

The questions of attaining optimal balance in the plans, of increasing their stability, of creating the necessary state reserves, of raising the role of long-term planning in the coordination of long-range and current plans, of concentrating manpower and resources in the main directions, of securing the comprehensive solution of state interbranch problems, etc., are formulated in a new way. Scientific validation is provided for the need to orient all economic activity of enterprises toward the attainment of final national economic results, toward the strengthening of the influence of the economic mechanism on concrete factors of increased national economic effectiveness. A special task is that of raising the role and strengthening the influence of the customer on the formation of the plan coupled with the strict fulfillment of the contractual obligations of producers and consumers and the strengthening of plan discipline at all levels. The system of measures includes the further development of economic management techniques based on the improvement of cost accounting relations and the rational use of such categories as price, profit, bonuses to strengthen the stimulation of resource conservation, to improve product quality, and to increase the effectiveness of production.

The decree of the CPSU Central Committee "On the Further Improvement of the Economic Mechanism and the Tasks of Party and State Organs" and the decree of the CPSU Central Committee and USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing the Effectiveness of Production and Improving Work Quality" articulated the concrete directions of improvement of all planning work in the national economy. The task of the 11th Five-Year Plan is from the moment of its inception to orient all activity of all work collectives toward the enhancement of the effectiveness of production and work quality, toward conserving all kinds of resources, and toward the attainment of high final national economic results for the more complete satisfaction of the growing social and personal requirements of the working people. The measures that have been taken envisage the further elevation of the role of the five-year plan as the main instrument in the realization of the party's economic policy on the basis of the elaboration of a system of plans and the application of new indicators and criteria in the evaluation of economic performance.

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The principle of compiling long-term, five-year and one-year plans as a system of plans and as a unified process was for the first time practically realized in the process of drafting the 11th Five-Year Plan. The comprehensive program of scientific and technical progress up to the year 2000, the Basic Directions of Economic and Social Development of the USSR in 1981-1985 and the Period up to 1990, and annual plans for 1981 and 1982 promoted methodological unity, a certain interconditionality and the interrelationship of decisions, targets and indicators.

In order to ensure that all advances in the development of science and technology are taken into account in good time, the system of plans realizes the principle of continuity in planning and in the action of the plan. In the process of compiling the current five-year plan, the necessary adjustments are made in the Comprehensive Program of Scientific and Technical Progress and the Basic Directions of Economic and Social Development of the USSR for 10 years with their simultaneous elaboration (augmentation) in the subsequent five-year period. This means that the data of the Comprehensive Program for 20 years and of the Basic Directions for 10 years will be used in the compilation of each five-year plan. They are continuously substantiated with due regard to the new demands of development of science and technology and society's changing requirements. Consequently the action of these plans becomes continuous. This is manifested in the fact that even now, in addition to the completion of the given cycle of work, an effort is in progress to complete the second stage of development of the Comprehensive Program of Scientific and Technical Progress up to the year 2005 and for 10-year periods, which will include the study and endorsement of the plan for the 11th five-year period.

Under the 11th Five-Year Plan, new elements and principles are included in the methodology, methods and forms of planning. Principal among them is the system of five-year balances for labor and financial resources, for production capacities with the substantiation of their passport data and balances and plans for the distribution of the most important material resources for individual years of the five-year plan with the application of progressive norms. In order to increase the responsibility of USSR Gosplan, ministries and departments for the substantiation of plan targets and the satisfaction of requirements for concrete types of products, the product mix is defined more precisely and balances and plans are elaborated and endorsed by USSR Gosplan, by USSR Gosstab, by ministries and departments of the USSR and by councils of ministers of the union republics. The head ministry bears responsibility for satisfying the requirement of the economy and population for products of the requisite mix and quality. Production associations (enterprises) are also coming to play a more important part in the timely and complete satisfaction of the given requirements, in the fulfillment of reciprocal commitments on deliveries of a specific product mix. Nonetheless, in actuality this demand has not yet become the norm in economic practice and is realized inconsistently.

We must note the growing role of balances of labor resources in securing the proportionality of the economy. These balances must be developed for the USSR as a whole, for union republics, for oblasts and regions, and in the RSFSR--for economic regions as well. This places added emphasis on the role of the USSR State Committee for Labor and Social Problems, and republic and local organs in the elaboration of manpower balances and

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organizational measures to secure their planned distribution and redistribution, and in reducing personnel turnover. The significance of these measures takes on added meaning in the light of the further deterioration of the demographic situation.

Methodological and legal principles in the system of progressive norms is a most important part of measures to improve balance work, to raise the level of validation of economic indicators in the plan, and to implement the resource conservation program. Targets have been developed for individual years of the five-year plan. These targets embrace the average lowering of norms for the most important types of raw materials, supplies and fuel-energy resources and the reduction of resource inputs per unit of output. Nonetheless, the entire system of norms is still being introduced at a slow rate in associations, enterprises and organizations.

Not enough energy is displayed in the effort to develop a unified methodology for reflecting the saving resulting from the lowering of expenditures of resources due to measures in the realm of scientific and technical progress, the scientific organization of labor, production and management in norms and plan indicators.

The June 1981 decree of the CPSU Central Committee and USSR Council of Ministers "On Strengthening the Conservation and Rational Use of Raw Material, Fuel-Energy and Other Material Resources" was aimed at securing the relatively more rapid growth of results over the growth of resources. This requires improvement in the structure of the national economy and its branches, the lowering of material- and energy-intensiveness, the implementation of measures to reduce the weight and metal-intensiveness of machines, and the broad application of wastefree and resource-saving technology. The aforementioned directions must find reflection in the improvement of the system of norms. The decree indicates the task of improving the system of norms, of redefining normative expenditures in physical terms for the most important types of resources, and of conveying progressive norms governing resource expenditures to associations and enterprises. The decree envisages expanding the product mix and the list of materials for which the target of bringing about a lowering of the average level of expenditure can be established and individual norms governing the expenditure of basic types of resources.

Targets for lowering the enterprise cost of production (work) and limits on material inputs per ruble of output in value terms should be instituted starting in 1983. Stronger incentives and economic sanctions will be instituted for the conservation and overexpenditure of resources. It is essential that measures taken in the decree of the CPSU Central Committee and by the government to secure a strict saving program in the national economy be integrally incorporated in the unified economic mechanism, yield an actual return in the elaboration of one-year and five-year plans, and become an effective instrument in converting the economy to the intensive path of development.

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The full realization of the established procedure for developing special programs that envisage the comprehensive solution of large-scale national economic, interbranch and regional problems and the preclusion of a parochial approach to planning is one of the important directions in the further improvement of planning and management under the 11th Five-Year Plan. At the same time, comprehensive programs, which are one of the methods used in the scientific validation of plans, are also a means of organizing their fulfillment.

The 11th Five-Year Plan provides for the elaboration of a system of special comprehensive and other scientific-technical, economic and social programs and programs for the development of regions and territorial production complexes. Comprehensive programs must become an effective instrument in optimizing plan decisions, in improving the reproductive structure, and in increasing the effectiveness of social labor. Comprehensive programs play an especially great part in long-range plans where, together with the system of forecasts, balance and mathematical economic methods, they are an important stage in the optimal planning decision making process. In five-year plans, the system of comprehensive programs is most closely associated with the technical and economic indicators of all sections and especially with resource distribution plans. They specify forms for coordinating the management of each program, the deadline for completing the work, and the general effect resulting from the realization of the given objectives with due regard to additionally discovered reserves.

Annual plans make provision for the elaboration of the necessary measures to ensure the fulfillment of the programs. Ministries, associations and enterprises compile long-range programs for the social development of the collectives of associations, enterprises; programs for the technical retooling and reconstruction of production, for the improvement of the system of branch management based on the implementation of master plans, on the drafting of plans for the development of production associations.

The development of program-goal planning makes it possible: to raise the level of economic substantiation of structure, proportions, the degree of coordination of goals and resources with due regard to the evaluation of the national economic effectiveness of the decisions; to improve the organic relationship of the economic, scientific-technical and social aspects of the plan; to integrate its branch and territorial sections; to make interbranch relations more purposeful in order to attain the end results of programs; to apply the systems principle in the objective concentration of resources in the most important directions of economic, scientific-technical and social development of the country; and to strengthen the responsibility and coordination of the activity of executors in the solution of large-scale national economic problems.

In the 11th Five-Year Plan and the immediate future, the comprehensive development of the West Siberian, South Tajik, and Bratsk territorial production complexes and the Kursk Magnetic Anomaly; the long-range program of agricultural development (including the development of the Non-chernozem Zone of the RSFSR); and the elaboration of programs for scientific-technical progress; for the conservation of metal and fuel; for the development of the Baikal-Amur Mainline Zone; for reducing the application of manual labor; for increasing the production of consumer goods; and the food program

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largely determine national economic proportions, the location of the productive forces, interbranch and territorial relations, the improvement of specialization and cooperation in production, the use of labor resources, and personnel training.

Now that it is essential to strengthen the organizing role of state and especially five-year plans, the system of comprehensive programs is one of the most important levers for realizing the given target. For example, the solution of the fuel conservation problem requires--in addition to targets and norms established in branch plans--a whole system of organizational and economic measures at various levels of management, which can be coordinated and realized only with the aid of the program-goal method. A similar situation also exists with regard to the metal conservation program. Fuel and metal conservation measures are still elaborated within the framework of individual branches or enterprises. These measures are presently developed on the basis of comprehensive programs on a national scale. They are also a part of the long-range plans for the country's economic and social development. This permits the more precise determination of the necessary capital investments in the plans, including expenditures on metal and fuel conservation, which are 1.5-2 times more effective than expenditures on the construction of new enterprises for the production of the corresponding quantity of metal or fuel energy resources.

The program-control method is coming to play a considerably more prominent role in the planning of scientific and technical progress. In addition to the Comprehensive Program of Scientific-Technical Progress which was compiled for a period of 20 years, ways of improving the elaboration of interbranch and intrabranh programs devoted to major scientific and technical problems have been articulated. Thus in the five-year plan for the economic and social development of the country in 1981-1985, a special place is taken up with programs developed by the State Committee for Science and Technology and USSR Gosstroy, by programs designed to resolve the most important scientific and technical problems and the problem of the comprehensive utilization of natural resources with due regard to the introduction of basic and applied research. These programs envisage final goals and technico-economic results as well as deadlines and stages for performing the work starting with scientific research and ending with their practical realization, including the organization of the quantity production of new products and the introduction of progressive technology. Measures indicated in previous programs were usually limited to the development of a prototype, i. e., to the coordination of the organization and financing of the research and development effort.

At the same time, intrabranh programs are also beginning to play a more important part. Ministries and councils of ministers of union republics develop plans for raising the technical level of branches. These plans contain measures pertaining to the creation, development and diffusion of new high quality machinery and equipment, progressive technology and materials, and the improvement of product quality as a part of the five-year plans. Ratified indicators include targets for the fulfillment of scientific and technical programs, the implementation of which becomes obligatory on a par with other indicators of the five-year plan.

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The completion of work on the development of a comprehensive program for standardization of the most important types of products is of great importance in improving the quality of consumer goods. This program contains coordinated specifications for raw materials, supplies, components and finished products.

However, practice shows that a complex of planned economic and organizational measures is required to accelerate scientific and technical progress and to improve product quality. In addition to improving planning methods, plan indicators and economic incentives, it is necessary to create organizational conditions and to increase the effectiveness of state control over the development and diffusion of new technology and over the production of high quality products. In this regard, special importance is acquired by such measures as: the formation of production and science-production associations in the next 2-3 years and their increased specialization and cooperation; the establishment of stiffer demands on new technology in state standards; systematic supervision over the technical level of machinery, equipment and other productive machinery; extradepartmental expertise regarding technico-economic indicators of newly developed and manufactured products and the introduction of other forms and methods of monitoring the technical level and quality of products.

Analysis of the elaboration of programs indicates that the organization of this work still lags behind modern demands. A number of branches are remiss in resolving the question of effectively raising the technical level of production on the basis of the retooling and reconstruction of production, the elaboration and organization of the mass production of machinery for the total mechanization and automation of production processes, and the large-scale production of products using the latest technology. The lag of the deadline for compiling programs complicates the elaboration of the system of indicators of effectiveness of social production and reduces the possibility of improving the balance of plans.

The improvement of the methods of organization and technology of planning must secure the subsequent observance of the optimal deadlines of the entire process of compilation of the system of plans, programs, balances and norms and in plan indicators must reflect the effectiveness of projected measures pertaining to scientific and technical progress, the improvement of management, methods for organizing labor and production with respect to the development of foreign economic relations. It necessitates the evaluation of the effectiveness of the system of measures that strengthens the role of factors of intensive growth and of enhancing the effectiveness of production. Such evaluation must reflect the effectiveness of measures in prices, norms and cost accounting indicators and must secure the closer relationship between value and physical categories and criteria in the planned management of the socialist economy. This is a complex scientific and practical problem.

In the process of drafting the 11th Five-Year Plan, we applied for the first time a system of control figures for the most important indicators, norms and limits as the necessary demands of society to increase the effectiveness of resources, production potential and the attainment of end results with the minimum expenditure of raw materials, supplies, energy resources, and labor.

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Qualitative parameters and characteristics are evaluative indicators and criteria: the sale of products in accordance with delivery plans on the basis of concluded contracts with customers; the increase in the production of high quality products; lower inputs per unit of output; the growth of labor productivity; and the activation of production capacities and facilities. Performance is evaluated on the basis of indicators that are reckoned cumulatively in one-year and five-year plans.

The new indicators, norms, criteria and evaluative methods are still not sufficiently reflected at all levels of branch management and are not entirely included in the system of indicators of the economic mechanism. This is to a certain degree associated with objective conditions of individual branches and production facilities that require a differentiated approach to such indicators as normative net output and criteria and the evaluative methods. Some ministries do not devote sufficient attention to the introduction of a new system of indicators and norms. As experience shows, these indicators and norms have a significant influence on the quality of the work, promote conservation and raise the level of responsibility and discipline in management. For example, the use of the net output indicator obligates enterprises to take a stricter approach to the fulfillment of the plan with respect to product mix. In the event of deviations from the assigned product mix, enterprises must produce products with the same share of labor inputs in the wholesale price. This compels enterprises to search for possible reserves for increasing the return on labor.

The net output indicator permits the more substantiated characterization of the correlation between the growth of labor productivity and the average wage since the change in output per worker corresponds more closely to changes in labor expenditures expressed in wages (assuming the proper substantiation of the definition of normative net output).

Ministries must accelerate the all-round testing of indicators of output for each branch with due regard to their individual features. It is important to exclude the negative impact of gross physical and value assessments and yardsticks. This will determine the solution of many questions in improving the economic mechanism.

Labor and social development indicators are elaborated and ratified on the basis of net (normative) output or other indicator that more correctly reflect the change in the expenditures of labor. They include: the labor productivity growth indicator; wages per ruble of output; manual labor curtailment targets; and norms governing the formation of the material incentive fund, the fund for social and cultural measures and housing construction. In view of the complex demographic situation, in the near future a limit will be placed on the number of workers and employees in order to secure the optimal distribution of labor resources.

The normative planning of wages strengthens the tie between wages and the volume of production, the growth of labor productivity, the distribution of output in various years of the five-year plan, months and quarters of the year, and increases the independence of enterprises and associations in planning the wage fund.

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As regards indicators of scientific and technical progress, the most important of them is the target of fulfilling scientific-technical programs and indicators of the technical level of production and production of the basic types of products. The annual plans additionally establish targets relating to the diffusion of progressive knowhow in technology, the scientific organization of labor, production and management. For the first time, annual plans include indicators of the economic effect from the development and diffusion of new technology and other measures pertaining to scientific and technical progress. To a certain degree, they characterize the effect (the saving of current and one-time expenditures to the producers and users of new technology) realized in the national economy. However, we still do not fully secure the close linkage between the national economic and cost accounting criteria in prices, in norms and in normative expenditures of all types of resources per unit of output. Only the first steps have been taken in this area.

The five-year financial plan provided a basis for establishing not only targets for profits (and where expedient, targets pertaining to the lowering of the enterprise cost of production) for various years of the five-year plan but also for specifying the absolute sums of payments to the budget and allocations from it, and to affirm stable norms for distributing profit between ministries (associations, enterprises) and the state budget. Virtually all ministries and departments have been assigned targets regarding profit and the enterprise cost of production for all years of the five-year plan. Here it is important to increase the share of the growth of profit as a result of the lowering of the enterprise cost of production which under the 10th Five-Year Plan comprised a little more than 25 percent of the total increase in profit.

In 1982 the plan calls for the use of the profit distribution norm in 20 ministries and departments as a key element in the diffusion of developed forms of the cost accounting branch system of management. Seven industrial ministries and four construction and certain other republic ministries have already acquired experience in the use of such a system. We must make a critical study of this experience in order to accelerate the total and effective application of the financial and credit mechanism and other economic levers in the realization of the task of intensifying and increasing the effectiveness of production. This is a new stage in the improvement of financial planning which makes it possible to restructure the economic mechanism including the development of socialist competition, and incentive systems based on the indicators and norms of the five-year plan. However, some ministries are not displaying the proper initiative in making the transition to this system of cost accounting relations which makes high demands on branch management.

The realization of the new principles in the course of compiling the 11th Five-Year Plan, the plan for 1982 and the fulfillment of targets of the first year of the five-year plan makes it possible to point to certain attainments. The system of plans is now in operation. Each plan is developed not in isolation but in the interrelationship of programs which involve the total development of balances, production and distribution broken down for various plan periods. Comprehensive programs for scientific and technical progress are articulated not only as a system but take the form of concrete targets and indicators. This also applies to a considerable part of the

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large, special, integrated national economic programs which made it possible to exert a substantial influence on the concentration of resources, on the solution of important structural problems and on the improvement of proportionality of the economy first and foremost as a result of indicators of higher effectiveness and targets for conserving metals, fuel-energy resources and other materials.

At the same time, we are not consistently raising the technical level of production on the basis of the latest technology and production techniques, the development of the specialization and concentration of production, the standardization of its elements, and the elimination of trends toward the growth of the investment-output and fixed capital to output ratio. In this direction, we must analyze in depth and utilize the growth of capital per worker envisaged in the 11th Five-Year Plan: in industry (by 34 percent); in agriculture (by 45 percent); and in transport and communications (by 25 percent).

It is important to note that capital per worker is closely associated with labor productivity and the output capital ratio. The main criterion of effectiveness and the intensification of production is to secure the relatively more rapid growth of labor productivity over the growth of capital per worker.

The 1982 plan for enterprises, associations and organizations belonging to 27 ministries and departments contains targets and indicators that are computed in terms of normative net output. Unfortunately, normative wages per ruble of output have been established for only seven ministries. USSR Gosplan, ministries, departments and scientific organizations must analyze in depth the course of diffusion and results of utilizing these indicators.

It should be noted that the stimulating functions of plan indicators are manifested first and foremost in the growth of effectiveness when all elements of the economic mechanism are used to the utmost, when there is a skillful approach to the use of new forms of the brigade organization of labor and wages. Such an approach is essential at every level of management.

The conversion of branches, associations, enterprises and research, design and supply organizations to cost accounting relations on the basis of stable five-year plan indicators and norms (wages, profit distribution, formation of economic incentive funds, formation of the fund for the development of science and technology, etc.) must become the decisive criterion in the comprehensive implementation of the decree of the CPSU Central Committee and USSR Council of Ministers on improving the economic mechanism and on the implementation of the decisions of the 26th Congress of the CPSU on improving the management of the national economy.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

IMPROVING ECONOMIC MECHANISM BASED ON EXAMPLE OF MOLDAVIAN SSR

Moscow VOPROSY EKONOMIKI in Russian No 3, Mar 82 pp 60-65

[Article by Yu. Kanna]

[Text] The "Basic Directions of Economic and Social Development of the USSR in 1981-1985 and the Period up to 1990" envisage the incorporation of a complex of measures to improve the economic mechanism in the 11th Five-Year Plan. They also pose the task of improving the organizational structure of management and the style and methods of the work.

The union republics devote special attention to the implementation of the principles of the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing the Effectiveness of Production and Improving the Quality of the Work." A system of organizational measures has been elaborated at all levels of management in the Moldavian SSR. The concrete tasks of Gosplan, ministries, state committees and departments in the Moldavian SSR have been articulated regarding the resolution of major economic and social problems, the fulfillment of the most important state and republic programs, the acceleration of the materialization of research and development work, the rational use of production capacities, material, labor and financial resources, and the intensification of the conservation effort. Priorities are presently being established for the development of the republic's branches and zones for the purpose of securing progressive changes in national economic proportions and for increasing the effectiveness of capital investments, of all social production. Additional measures have been developed to improve the forms and methods of economic management, to strengthen financial planning, labor and contractual discipline.

The balance of all items and indicators in the one-year and five-year plans and their greater orientation toward the solution of social problems are an important prerequisite to raising the quality of these plans and to strengthening the role of the latter in the management of the national economy. The republic's 11th five-year plan of economic and social development contains for the first time a summary financial balance, balances of money incomes and expenditures, and balances of material and labor resources.

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This has in large measure predetermined the higher degree of balance of key factors of reproduction, has facilitated the detection and elimination of bottlenecks in the development of individual branches of the national economy of the Moldavian SSR, and has made it possible to identify the primary directions of capital investment.

There are numerous measures to improve plan indicators, yardsticks of output volume and quality, and methods of making a correct evaluation of production potential. In the 10th Five-Year Plan, the first steps were taken to master the normative net output indicator as more objective in determining the labor inputs of each collective. More than 15 percent of the republic's associations and enterprises plan and evaluate performance on the basis of this indicator. Enterprises belonging to the Ministry of Procurement, the Ministry of the Meat and Dairy Industry and the Ministry of the Food Industry of the Moldavian SSR, a number of enterprises belonging to the Ministry of the Forestry Industry and the Ministry of Local Industry of Moldavia, Goskomsel'khoztekhnika [State Committee for the Supply of Production Equipment for Agriculture] of the Moldavian SSR, and others, have been converted entirely to normative net output. From 1982 on--following the ratification of new wholesale prices and rates--enterprises belonging to union-republic and republic ministries and departments are to be converted to the normative net output indicator. This is the basis for expanding the application of wages per ruble of output in the planning of norms.

The republic has amassed a certain amount of experience in the elaboration of special comprehensive scientific-technical and economic programs--especially programs of development of individual territorial production complexes--as a key component part of long-range state plans of economic and social development. One of the largest of these programs--the program for the economic development of southern Moldavia--is oriented toward the accelerated development of viticulture, fruit and vegetable farming, the processing industry, grain farming, and fodder production in the 11th and 12th Five-Year Plans. Tentative estimates show that all expenditures indicated in the program will be recouped in 7-8 years. There are plans to create plant nurseries at the level of modern requirements, to plant new intensive and hyperintensive industrial orchards, to develop a complex of machines for the mechanization of labor-intensive processes, to strengthen the material-technical base for the production of canned goods, to expand irrigated land area, to resolve a number of sociocultural measures, etc.

The conversion of agriculture to an industrial footing, the creation of a powerful food industry, and the development of branches associated with the procurement, shipment and storage of raw materials have given rise to an agro-industrial complex in which effective production and economic relations between branches have been established. Large specialized interfarm enterprises, complexes and associations have been created and technical means have been concentrated in regional interfarm associations. There are 301 interfarm enterprises successfully operating in the cooperative sector. They comprise the basis of approximately 40 percent of the republic's agricultural output and perform 400 million rubles' worth of mechanized, construction and transport work. Forty territorial agro-industrial associations are operating with a high degree of effectiveness on the basis

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cooperation and agro-industrial integration. Thirteen science-production associations have been created on the basis of branch scientific research institutes, specialized sovkhozes, experimental plants, and design offices. The given integrated production facilities account for 50 percent of two billion rubles' worth of agricultural and industrial output.

Republic programs devoted to the solution of interbranch scientific and technical problems devote much attention to the conservation and effective use of water and land resources, to reducing losses of plant products, to improving the mechanism of functioning of agro-industrial complexes, etc. Branch programs have been developed for 19 basic scientific and technical problems (for 1981-1985). The solution of these problems will promote higher agricultural output. These programs will become a part of state plans for the economic and social development of the Moldavian SSR. The development of the republic's agro-industrial complex is an important aspect of the national economy's food program.

There is a consistent effort to raise the technical level of production and to reduce the use of manual labor. A high level of mechanization and automation has been attained in the leading branches of republic industry-- in the power, food, light and furniture industry; the basic production of 127 enterprises has been thoroughly mechanized. There has been a considerable amount of work on the further mechanization and automation of production processes and on making physical labor easier. In individual branches, this has made it possible to raise the technology of auxiliary processes (transporting, warehousing) to the level of basic production, and to systematically reduce the share of manual laborers. Constant attention is devoted to the latest technology which makes it possible to save live labor and material resources. Food industry enterprises have begun producing biologically valuable products, canned fruits and vegetables, and jellies. The USSR has developed a progressive, aseptic method of preserving juices and prepared foods in large containers. The introduction of the continuous extraction method has made it possible to achieve the lowest losses of butter in production in the USSR.

The 11th Five-Year Plan calls for the development of metrology and standardization which will make it possible to raise the technical level and quality of output, to reduce the material-intensiveness of products, to expand the mix of consumer goods, and to improve the quality of consumer services. In 1981, more than 50 standards in agricultural production were embraced by the comprehensive standardization program. Comprehensive product quality control systems were instituted at 223 republic enterprises. Production associations and enterprises have completed the compilation of passports.

An important role in increasing the effectiveness of production plans and in making these plans more balanced belongs to the organization of material-technical supply, to work on the further development of direct, long-term economic relations. To date, 277 of the republic's production associations and enterprises have been converted to this system. The given associations and enterprises deliver 41 percent of the chemical products, 80 percent of the rubber products, 54 percent of the timber products, 67 percent of the paper products, and 18 percent of the rolled ferrous metals.

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Proposals to convert 285 enterprises producing 374 types of products, i.e., 53 percent more than during the 10th Five-Year Plan, to direct long-term economic ties under the 11th Five-Year Plan were developed and submitted to USSR Gosstnab.

Moldavia has amassed positive experience in supplying enterprises with materials through territorial material-technical supply organs based on orders filed by construction organizations. However this progressive form of supply has not yet been widely developed owing to the lack of a decision by USSR Gosstnab and the corresponding construction ministries on procedures and guidelines governing its introduction.

A system of measures to improve the economic mechanism has been actively introduced in construction and in estimate-design work. In 1981, the volume of commercial construction output was incorporated in the plans of ministries and departments engaged in construction-installation work and of construction organizations. Resources and capacities are concentrated in the decisive construction sectors. Forty percent of the republic's capital investments (compared with 26 percent in 1980) are channeled into reconstruction and technical retooling. Naturally the increase in the share of capital investments in the technical retooling and reconstruction of existing enterprises does not mean that attention to new construction is waning. In deciding on new construction, we must first and foremost consider the need to improve the branch structure of production, to accelerate technical progress and to increase the balance of the economy. Measures are being taken to promote an annual increase in the activation of fixed capital and to reduce construction time. The search for reserves of an organizational and technical character has resulted in the reduction in the volume of incomplete construction. As a result, fixed capital increased by almost 1.5 fold during the 10th Five-Year Plan alone.

For the first time, republic customers [for construction work] and design organizations are assigned given volumes of completed and accepted work that serve as the basis upon which accounts are settled between customers and design organizations. Starting in 1980, these organizations have designed large projects in two stages thereby making it possible to reduce design time and the time required to produce blueprints before the commencement of construction work. Estimates and norms are being converted to labor productivity planning based on normative, conditionally net output.

At the same time, there are instances of imbalances with regard to resources and the potential of contracting organizations in capital construction plans. In our view, the violation of the principles underlying the new methods of management and discrepancies in the formulation of the construction work program are the result of the absence of precise normative documents. In particular, USSR Gosstroy still has not developed methods for calculating the capacities of construction organizations and the mechanism for coordinating branch targets for capital construction with the potential of capacities and the production base of territorial contracting organizations.

The 11th Five-Year Plan will continue the effort to convert republic ministries and departments to cost accounting methods, to the introduction of distributing profit while simultaneously increasing the effectiveness of the credit mechanism in the economic stimulation of production and

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capital construction and in improving the organization of calculations. Starting in 1980, associations and enterprises have been granted credit (in excess of the limit on state capital investments) to finance measures relating to the production of new products, to improve product quality, and to expand consumer goods production. There has been an increase in the amount of credit that is extended to customers so that they may settle their accounts despite a temporary shortage of their own funds. While there was a certain amount of increase in payment credit, there was improvement in indicators characterizing the financial state of enterprises: the average time it took the customer to pay the supplier's bill dropped from 23.1 days in 1979 to 22.1 days in 1981. Preparations are nearly complete for converting scientific research, design, project planning, and technological organizations in the republic to a cost accounting system of planning and organization of work on the development and diffusion of new technology on the basis of order-warrants [zakazy-naryady].

The Moldavian SSR devotes a great deal of attention to the introduction of the brigade form of organization of labor and wages. At the present time, 11 percent of the total number of brigades are working on a cost accounting basis and are paid on the basis of coefficients of labor participation for end results. There has been an increase in the share of construction and installation work performed by brigades operating on a cost accounting basis: 18.4 percent in 1976 and 38 percent in 1980 (for certain indicators calculated by the republic's Central Statistical Administration). By the end of the 11th Five-Year Plan, the target is to secure the participation of 70 percent of Moldavian workers in the brigade form of labor organization.

The sphere of establishment of work norms is being expanded. At the present time, in republic industry work is normed for 71.6 percent of the piece-rate workers, for 66.7 percent of the engineers and technicians, and for 62.1 percent of the white collar workers. In all, the work of 83.1 percent of the industrial work force is normed. The quality of the norms applied has been improved somewhat. By April 1980, the share of technically substantiated norms had increased by 2.1 percent compared with the corresponding period in 1979 and reached 71.8 percent. Eighty-four out of 100 persons are working on the basis of norms established on the basis of interbranch and branch norms.

The implementation of the principles in the decree of the CPSU Central Committee and USSR Council of Ministers (July 1979) in Moldavian SSR made it possible to indicate a number of measures relating to the realization of not yet fulfilled targets posed by the 26th CPSU Congress.

The organization of planning and the substantiation of the deadlines for drafting plans in the first stage by the republic's enterprises, associations and ministries proper and in the second stage when USSR Gosplan examines proposals of the union republics, ministries and departments of the USSR require serious improvement.

USSR ministries and departments and councils of ministers of union republics must now submit drafts of five-year and one-year plans of economic and social development to USSR Gosplan within the same period of time. The

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result is that some sections of the drafts of the plan are not sufficiently substantiated and balanced. For example, the basic data (in addition to other data) used in drafting admissions quotas for vocational-technical training schools take the form of the increase in the number of [pupil] places, i. e., projected construction and activation of vocational-technical training schools. However, at the time republic planning organs submit their drafts to USSR Gosplan, they do not have at their disposal data on the projected construction of vocational-technical training schools in the republic by USSR ministries and agencies. In order to increase the degree of substantiation of drafts of the plan, the deadlines for drafting and submitting plans to USSR Gosplan should be staggered. In particular, the deadlines for the republic should be one month later than the deadline assigned to USSR ministries and agencies.

The quality of balance work in the plan is adversely affected by the absence of methods for compiling ex ante and ex post balances of labor resources for cities and regions. The Central Statistical Administration still lacks procedures and methods for developing summary ex post financial balances.

In our opinion, there is a need to modify the procedure for adjusting the plan targets assigned to union republics in the republic. At the present time, union republics are assigned only the initially endorsed plan (not always within the specified time limits) and the altered plan target can be established only on the basis of statistics. Union ministries should review union enterprises' requests to adjust plans only after the given question has been considered beforehand by the gosplans of union republics.

The further development of the agro-industrial complex requires the establishment of optimal proportions between agricultural production and the processing industry. At the present time, agriculture, as a part of the agro-industrial complex, is subordinate to republic organs while the processing industry is subordinate to the USSR Ministry of the Food Industry and the USSR Ministry of the Fruit and Vegetable Industry. In our opinion, the subsequent solution of questions associated with the development of the agro-industrial complex should be made the responsibility of republic organizations.

There is also need for improvement in the system of relations between associations and financial organs with respect to payments for capital under the conditions of integrated production. A number of capitals serve agriculture and industry. Therefore it is important to examine the question of applying an average weighted normative payment for fixed productive capital in such cases.

It is an alarming fact that many enterprises violate the sales volume plan (with due regard to the fulfillment of contractual obligations regarding deliveries). To a certain degree, this situation can be explained by the fact that the fulfillment of contractual delivery obligations is not a basic condition to the awarding of bonuses to executives, engineers, technicians and white collar workers of industrial ministries, associations and enterprises. USSR ministries assign to associations and enterprises a norm of nonfulfillment of the sales plan (taking contractual commitments

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into account) without proper economic validation. This norm is frequently many times higher than the attained norm governing the fulfillment of this indicator. The resulting situation is such that the permissible shortfall in deliveries becomes a kind of guaranteed norm which, if observed, entitles the supplier to let the customer down and to collect a material reward at the same time. Such a situation downgrades the responsibility of associations and enterprises for the fulfillment of contractual commitments. In our view, it is essential to revise the methodology underlying the ratification of norms in order to strengthen the responsibility of associations and enterprises for the observance of their contractual commitments.

The republic devotes special attention to the improvement of product quality. However, the existing guidelines for determining the share of products in the highest quality category do not always motivate enterprises to increase the volume of production. Practice has shown that it is disadvantageous to the enterprise to increase the volume of production of run of the mill, uncertified products which are nonetheless needed by the national economy. The volume of production of products in the highest quality category are the same but its share in general production has declined; this decline has been accompanied by the diminution of incentive funds. The present methodology that is used to determine the volume and share of products in the highest quality category requires substantial modification. Under these conditions, it is obviously expedient to evaluate the work of enterprises and ministries not on the basis of the share of products in the highest quality category but rather on the basis of its volume thereby making it possible to increase the production of products that are uncertified but needed by the national economy without detriment to labor collectives.

At the present time, MSSR Gosplan and republic ministries and departments have completed the drafting of organizational plans for the total implementation of decisions of the 26th CPSU Congress that fully reflected unresolved problems regarding the implementation of the July (1979) decree of the CPSU Central Committee and the USSR Council of Ministers and new tasks posed by the congress with regard to the improvement of management and the raising of the level of management in all elements of the economy.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

COLLECTIONS DEVOTED TO CURRENT PROBLEMS OF MANAGEMENT THEORY, PRACTICE

Moscow VOPROSY EKONOMIKI in Russian No 3, Mar 82 pp 137-143

[Article by A. Polezhayev]

[Text] Ten years have elapsed since the publication of the first collection "The Organization of Management."^{*} This and subsequent editions of the collection attracted the attention of both scholars and specialists in the field of management. This is not by chance. The collections are characterized by the purposefulness of the formulation of the problems treated in them, by the selection of the most important problems in each time span, by the breadth of their coverage, and by the combination of theory with practical recommendations. Especially important is the fact that the collections posed and examined the most urgent problems in the science of management during its difficult formative period.

This approach corresponds fully to the demands of the 26th CPSU Congress that the present development of the theory and practice of management must be entirely subordinated to the solution of the most urgent economic and social problems of Soviet society, to the accelerated conversion of the economy to the path of intensive development, and to increasing the effectiveness of social production. "Today, as we look 5 or 10 years ahead," L. I. Brezhnev stated at the 26th CPSU Congress, "we must not forget that it is in those years that the national economic structure with which the country will enter the 21st century will be created. It should embody the basic features and ideals of the new society, be in the vanguard of progress, and symbolize the integration of science and production and the indestructible union of creative thought and creative labor."

The broad front of research and development in management that followed the 24th CPSU Congress, which formulated the long-range program for improving the system of management in our country, objectively demanded increasing the effectiveness of communicating findings to their potential "users," their constructive analysis and practical utilization. As is known, all

^{*}"Organizatsiia upravleniya" [The Organization of Management], Izdatel'stvo "Ekonomika." The collections have been published since 1971.

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information and managerial information in particular rapidly becomes obsolete in the age of the rapidly developing scientific and technological revolution. Accordingly, the editors and authors of "The Organization of Management" have followed the most correct path in our opinion: they rejected multiple volumes generalizing basic theoretical research and a collection in the form of separate, disconnected articles.

"The Organization of Management" is a unique publication. Its structure has been continuously improved in connection with the particulars of the problems that are to be solved in concrete periods of time. The collections reflected the structure of the CPSU's comprehensive long-term program for increasing the effectiveness of the national economy, which incorporates the following basic problems:

--the further development of the economic methods of management of socialist social production in breadth and depth; the complete utilization of all reserves in the economic mechanism";

--the improvement of planning; the organization of long-term forecasting; the elaboration of programs for the development of the socialist economy; the compilation of optimal five-year plans broken down by year and their timely communication to ministries, production associations and enterprises;

--the improvement of the organizational structure of management of the national economy and the specialization and refinement of the functions of economic organs; the transition to a two- and three-element system of branch planning; the elimination of superfluous managerial elements; reduction of the complexity and cost of management;

--the broad application of mathematical economic methods in management; the use of computers, business machines and communication systems;

--the improvement of the decision making mechanism; raising the responsibility of officials for the quality and consequences of the given decisions;

--improving the state system of training and advanced training of management cadres with due regard to the new demands made by the scientific and technological revolution and modern management systems and methods;

--the further democratization of management; the development of social planning and collegial forms of management; and the broad involvement of the working masses in the management of production.*

Scientific information on the most significant research in management science in our country and abroad plays an important part in the realization of the attainments of scientific and technical progress. This information is contained in all issues. Each collection also contains a list of the most interesting new books and articles on problems of management.

*See "Organizatsiya upravleniya," 1971, p 6.

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Thus the systems approach, which corresponds to the complex character of the management improvement problem proper, was used in the elaboration of structure and in the selection of the problems treated in the collections. The authors of the published materials were party workers, leaders of progressive branches of the national economy, general directors of production associations, and our country's leading scientists in the field of economics and management. This made it possible to discuss the most important problems in the theory and practice of management on a "real time scale" and to develop scientifically substantiated measures for their solution.

"The Organization of Management" is published approximately once a year. This is obviously insufficient. Given the acceleration of scientific and technical progress and of socioeconomic processes in our society, the need to analyze and resolve current problems of management requires the more frequent publication of this unquestionably popular journal. Each of the collections has examined a certain circle of interconnected problems which has ensured their continuity. At the same time, the considerable flexibility of the rubrics has created the possibility of maneuvering the topics of the articles depending on the particulars of the period examined within the sections. It seems to us that the basic rubrics of the issues are quite apt: "The Five-Year Plan and the Improvement of Management," "Problems of Theory, "The Improvement of Territorial Management," "Automation of Economic Management Processes," "Rationalization of Management," "Management Cadres," "Foreign Knowhow," "Literature on Management," etc.

At the same time, analysis of the structure of already published issues shows that editors and authors are not paying enough attention to territorial problems. While it is true that the 1979 issue contained a special section "Improving Territorial Management," it could more readily be called "inter-branch" than "territorial" if we are to adhere to the generally accepted terms in management theory. The collection's authors themselves also write of the need to improve territorial management. Thus the article "Bringing Management to the Level of the New Demands" (1977) by V. Afanas'yev, corresponding member of the USSR Academy of Sciences, directly states that "despite the numerous ministries and departments that supervise the development of the complex (the reference is to the West Siberian oil and gas complex.-- A. P.), there are still numerous shortcomings. The fragmentation and lack of concentration lead to unjustified costs and losses and delay the solution of major problems." And yet there are colossal possibilities in the solution of this problem. It is estimated that the integrated approach to the management of the development of the economy in the West Siberian lowlands can mean up to a 10 percent saving in capital investments and up to 20 percent in current expenditures.* Since the national economic expenditures involved number in the tens of billions of rubles, the advantage of the integrated management of the creation of territorial production complexes becomes especially evident.

But the saving of resources is not the only consideration. The integrated approach to the management of the development of the territorial economy envisages the coordinated and proportional development of the productive

*See VOPROSY GEOGRAFI, No 109, "Mysl'," 1978, p 97.

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and nonproductive spheres, of all necessary elements of the production and social infrastructure according to a single plan. Conditions are created that reduce personnel turnover. There are broad possibilities for the centralized maneuvering of manpower and for upgrading the skill levels of the work force. All this promotes the growth of the output-capital ratio, the early recoupment of expenditures, and wins time.

Thus there are numerous important but still unresolved problems in the effort to improve territorial management. They include: the elaboration of methodology and concrete integrated programs for controlling the creation and functioning of territorial industrial complexes and agro-industrial complexes; the problem of the integrated utilization of natural resources in a given region; the problem of integrating enterprises in different branches on the same industrial sites with a single production infrastructure; the use of a single regional construction base in a rational sequential system of activation of various projects; the creation of a single transport system in regions serving various branches of the national economy; the integrated use of labor resources in the region; the creation of a unified system of settlement and the social infrastructure in the region as an important component in raising the population's living standard; the reproduction and conservation of territorial natural resources; the creation of favorable ecological conditions for human life, and other problems. The examination and solution of these problems of territorial management unquestionably merit the attention of scholars and laymen alike and must find an appropriate place in the annual's pages.

I would like to say a special word about the problem of improving the structure of "The Organization of Management." The increase in the breadth and depth of relations in the present stage of development of our country's economy poses yet another urgent task--the task of overcoming the lack of coordination in the actions of various ministries. This task can be effectively resolved only on the basis of integrated programs of state interbranch and regional significance. Obviously it will also be urgent in the future. In this regard, there will be a sharp increase in the role of the program-goal method of managing the national economy, the effectiveness of which has been proven in the solution of major national economic problems. This is why the 26th CPSU Congress once more emphasized the importance of improving the system of integrated control of large-scale interbranch programs.

Therefore future collections should devote more attention to the methodology and organization of the control of such programs. Special emphasis must be placed on the improvement of the planning and management of entire complexes of interconnected branches that develop under the given program and that determine qualitative changes in the structure of production, its technical and organizational basis, and indicators of effectiveness. Therefore the development of the interbranch, program approach is an effective way of realizing the advantages of the centralized planning of the development of socialist society.

This emphasis on integrated planning and management confronts scientists and organs of state and economic management with a number of theoretical and practical problems, the discussion and search for possible avenues

of solution of which in the pages of "Organization of Management" would be very useful. As repeatedly emphasized in various issues of "Organization of Management" and in the journal VOPROSY EKONOMIKI*, the urgency of this work consists in the fact that the state system of interbranch integrated program-goal management in our country should essentially be formed for the first time. Hence the importance of the problem of elaborating problems regarding the methodological, organizational, legal and normative support of this newly created mechanism management.

Today "Organization of Management" devotes little attention to the examination of the problems and the search of possible avenues of their solution in proportion to their importance. Here we can only note articles by G. Popov ("The Program-Goal Approach" (1977) and by Ye. Golubkov ("The Organization of Program Planning and Management in an Industrial Branch" (1973). The elimination of this shortcoming will unquestionably increase the scientific and practical worth of the publication.

Analysis of various issues of "Organization of Management" shows that the authors have lost sight of such an important problems as the social aspects of management of the national economy (this problem is partially treated in articles by Academician D. Gvishiani ("The Scientific-Technological Revolution and Social Progress" (1975), by Academician T. Khachaturov and I. Popov ("Forecasting Socioeconomic Processes and Scientific and Technical Progress" (1977), and by Ye. Mayminas and V. Tambovtsev ("Interbranch and Regional Aspects in the Formulation of the Goals of Socioeconomic Development" (1979). It is specifically these questions that play an ever increasing role in the modern age--the age of developed socialism.

At the same time, decisions of the CPSU have repeatedly emphasized that national economic planning is an integral part of social planning, the goals of which are determined by the need for the maximum satisfaction of the continuously growing material and nonmaterial requirements of members of socialist society. The communist party has devised a long-range, scientifically substantiated strategy for the development of our country on the basis of the realization of a complex of programs. An increasing place among these programs is occupied by social development programs associated with improving the people's well-being, with raising the level of education and health care, with the mechanization of manual and physically arduous labor, with city planning, with the protection of the environment, etc. Moreover, these problems become critical in the examination of all aspects of economic development including the purely production-related aspects. Our national economic plans are comprehensive plans, plans for economic and social development which make a definite imprint on the system of management of their elaboration and realization. Many new methodological, organization, informational, technical and legal problems arise here.

While our country has amassed vast experience in planning the management of scientific-technical and production processes, further research and development is required in order to create a reliable working mechanism and instrumentation in the realm of social planning and management. In our opinion, by expanding the scale of discussion of the social aspects

*See VOPROSY EKONOMIKI, No 6, 1979, p 43.

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of management of the national economy, individual branches and associations, the journal will help to resolve the important problem of increasing the scientific validation and effectiveness of elaboration and implementation of state plans for the economic and social development of our country.

A distinguishing feature of the content of every issue of "Organization of Management" is the timeliness of the material and the attempt to answer the most pressing questions in the theory and practice of management. In this regard, attention is merited by articles by D. Gvishiani ("Management Science Today" (1971), by Yu. Tikhomirov "The New Constitution of the USSR and Management" (1979), etc. These articles are called upon to perform a dual role: first, to analyze and evaluate the status of management theory and practice in the period under review and to formulate and outline possible ways of resolving the most urgent problems; secondly, to serve as the logical basis, the scientific-methodological foundation of the material published in each issue. Similar "revelatory" materials will hopefully be a part of the journal's permanent future practice.

The feature "The Five-Year Plan in the Improvement of Management" attracts the attention of the readers by virtue of the fundamental character and the scale of the investigated questions of national economic management. At the same time, the materials contained in the journal make it possible for progressive leaders of branches to "view" the urgent and pressing problems in the development of branches. Of major interest from this standpoint are articles by A. Antonov ("The Ministry--The Headquarters of the Scientific and Technical Development of the Branch" (1972) and "Scientific-Technical Development of the Electrical Equipment Industry Under the New Conditions" (1977); by K. Rudnev ("The Branch System of Management of Instrument Making" (1977); by V. Shashin ("The System of Management of the Petroleum Industry" (1977); by V. Boytsov ("Quality Control of Industrial Production" (1979); by S. Orudzhev ("The Experience of the Ministry of Improving Management" (1979) and a number of other specialists. This feature is a kind of tribune of progressive experience in the area of branch management. Unfortunately, interbranch, integration problems have not yet been adequately examined (with the exception of the 1979 issue) in the journal.

The feature "Problems of Theory" is of great interest. And this is not by chance. It was stated at the 26th CPSU Congress: "The tasks that are posed by life require the development of theory and economic science and closer ties between economic science and the needs of economic practice." The given feature has published articles on economics and management: articles by Academician N. Fedorenko ("On the Optimization of Control Systems and the Stimulation of Scientific-Technical Progress (1971); by B. Mil'ner ("Improving the Organizational Structure of Management" (1977); by G. Dzhavadov ("The Methodology of Investigating the Economic Relations of Management of Socialist Production" (1971) and "Problems in the Integrated Improvement of Management" (1977) and a number of other materials.

The comprehensive examination of the most urgent fundamental and applied problems of management science at a high level is a characteristic aspect of this feature. At the same time, we should call attention to the fact that the "across the board" approach to material in the feature does not sufficiently use the principles of the systems approach. Each individual article is of unquestionable theoretical interest. However, the feature on the whole appears to be slightly lacking in uniform logic.

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There is definite interest in the new feature "Improvement of Territorial Management" which first appeared in 1979. In it, the following shared their thoughts and experience regarding the party's direction of the solution of integrated national economic problems: P. Fedirko, first secretary of the Krasnoyarskiy Kraykom of the CPSU ("The Program of Comprehensive Development of Krasnoyarskiy Kray"); P. Taov, head, Agricultural Department of the Kabardino-Balkarskiy Obkom of the CPSU ("On Improving Territorial Planning and Management"); and A. Dumachev, secretary, Leningradskiy Obkom of the CPSU ("The Role of the Party Organization in the Management of Production Associations"). The remarks of heads of party organizations of various regions in the pages of the collections are unquestionably of great theoretical and practical value. These articles contain a wealth of material that graphically illustrates the effectiveness of the integrated approach to the management of complex scientific-technical, production, social, branch, and regional programs. The valuable experience that has been amassed must be more widely analyzed and propagandized in the annual's pages in the future as well.

Also deserving of attention is the feature "Rationalization of Management in the Association" and especially the articles contained in the 1979 issue. The importance of this feature is determined by the role that is assigned to associations in the development of the economy, in increasing the rates of scientific-technical progress, in raising labor productivity, and in the solution of complex social problems.

The feature's materials are devoted to the analysis of scientific and practical problems aimed at increasing the effectiveness of the activity of associations. It should be noted that Leningrad City and Oblast industry alone operate more than 150 production and science-production associations and combines that account for more than 62 percent of the total output volume.* The effectiveness of the associations is indicated by the following data: on the basis of the advantages of associations, the 10th Five-Year Plan calls for the sale of more than one billion rubles' worth of industrial products in Leningrad City and Oblast and for surpassing the consumer goods production targets by tens of millions of rubles. Industry is supposed to realize at least 95 percent of the increase in output as a result of higher labor productivity**. This is why the methodological, organizational, legal, and socioeconomic aspects of the creation and optimal functioning of all types of associations are of unquestionable interest for scientists and laymen. Descriptions of experience amassed in the solution of these problems were offered by: O. Filatov, general director of the "Svetlana" association and Hero of Socialist Labor; R. Mamedov, chief of the "Soyuzneftemash" VPO; Yu. Vladychin, Chairman of the Estonian SSR Committee on Prices; S. Parinov, deputy general director, KamAZ association, and others.

*"Organizatsiya upravleniya," 1979, p 99

**See "Organizatsiya upravleniya," p. 111.

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At the same time, the 26th CPSU Congress emphasized the importance of intensification of the effort to improve management at the association and enterprise level. Therefore the given questions must become the program of the content of this important feature.

Attention is merited by materials in the features "Automation of Economic Management Processes" and "Management Cadres" but the specifics of the collections should be considered in their future formation.

We should also mention the feature "Foreign Experience" which appeared in the first issues (1971-1974) and then disappeared. The need for this feature would seem to be beyond question. However, the material presented in it should be more closely linked to the content of every concrete issue and the professional, management level of articles published in it should be raised. There should be wider discussion of the problem of management theory and practice in the fraternal socialist countries and leading scholars and specialists in these countries should be invited to participate in the annual's work.

On the whole, "The Organization of Management" is a very important publication devoted to the theory and practice of the management of socialist social production which has won wide acclaim among management specialists and among the broad readership. The particulars of the journal include: the high scientific level of content of all basic materials; the presentation of issues in comprehensible form; the comprehensive discussion of problems of management; the timeliness and scientific and practical significance of the topics. The shortcomings noted above--insufficient attention to a number of neglected problems and the vagueness of individual rubrics--can evidently be attributed to the fact that the collections are published on an irregular basis. Hence the difficulty entailed in the formation of the basic materials.

The positions won by the "Organization of Management" collections can be judged on the basis of numerous positive reviews in the central press and in specialized journals. This is primarily due to the good work of the editorial collegium, compiler G. Dzhavadov and Izdatel'stvo "Ekonomika."

At the same time, in our opinion certain features, especially "Management Cadres" require a certain degree of bolstering. More attention must be devoted to the problem of further improving the style and methods of management of the national economic complex. Here, too, there are major unutilized possibilities. The collection devotes too much space to such questions as the automation of management processes and unconscionably little space to management theory and cadres and to the effectiveness of management.

Only in the first collection (1971) did the editors publish the list of organizations in our country that are concerned with problems of management and an index of research in progress. Since then, many years have passed and the qualitative and quantitative composition of organization has also changed. Similar material should be prepared and published in the next issue. In

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1973, the collection introduced its readers to useful abbreviations most commonly used in ASU terminology. And why should the collection not establish a regular feature that would interpret certain terms and concepts used in management science? This would be useful to both theorists and laymen especially in view of the fact that we still have not published a reference dictionary on the management of socialist production.

The 26th CPSU Congress formulated the complex new tasks confronting management specialists: "To introduce in the 11th Five-Year Plan a complex of measures that have been worked out to improve the economic mechanism and strengthen its influence with regard to increasing efficiency and improving quality, and to improve the organizational structure of management and the style and methods of work. To orient the administration of the national economy toward fulfilling Party decisions with respect to the country's economic and social development, accelerating the economy's conversion to intensive development, and raising the people's standard of living." The congress also indicated the main directions in which the maximum effort of scholars and laymen should be concentrated: the raising of the role of planning as a central element in the management of the national economy; the intensification of the economy regime; the strengthening of cost accounting; the improvement of the style and methods of economic management based on Leninist management principles; improvement of the organizational structure of management; the development of initiative and of the creative activism of the working people in the management of the economy. The realization of these party program principles must become the basis of publication of the "Organization of Management" collection.

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